



June 9, 2009

THE HONORABLE DANIEL R. LEVINSON  
INSPECTOR GENERAL  
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBJECT: Final Report – External Quality Control Review of the U.S. Department of Health and Human Services Office of Inspector General Audit Organization (Report Number QA-PR-09-001)

This report presents the results of our external quality control review of the U.S. Department of Health and Human Services Office of Inspector General (HHS OIG) audit organization (Project Number 09WT002QA000).

We have reviewed the system of quality control for the audit organization of Health and Human Services in effect for the year ended September 30, 2008. A system of quality control encompasses HHS OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in the *Government Auditing Standards*. HHS OIG is responsible for designing a system of quality control and complying with it to provide HHS OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and HHS OIG's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed HHS OIG personnel and obtained an understanding of the nature of the HHS OIG audit organization, and the design of HHS OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with HHS OIG's system of quality control. The engagements selected represented a reasonable cross-section of HHS OIG's audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with HHS OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the HHS OIG's audit organization. In addition, we tested compliance with HHS OIG's

quality control policies and procedures to the extent we considered appropriate. These tests covered the application of HHS OIG's policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control, and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Our scope and methodology is discussed in Appendix A and your agency's response in its entirety is included as Appendix B.

In our opinion, the system of quality control for the audit organization of HHS OIG in effect for the year ended September 30, 2008, has been suitably designed and complied with to provide HHS OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail. HHS OIG has received a peer review rating of pass.

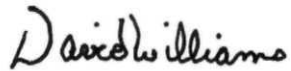
In addition, to reviewing its system of quality control to ensure adherence with Government Auditing Standards, we applied certain limited procedures in accordance with guidance established by the CIGIE related to HHS OIG's monitoring of engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of engagements performed by IPAs is not an audit and therefore is not subject to the requirements of Government Auditing Standards. The purpose of our limited procedures was to determine whether HHS OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on HHS OIG's monitoring of work performed by IPAs.

### **General Comments**

We observed numerous positive practices at the HHS OIG audit organization and appreciate the cooperation and courtesies provided to us during the review. The audit



staff showed a high level of professionalism and expertise and displayed a thorough knowledge of the audits we reviewed and the audit organization's policies and procedures. If you have any questions or need additional information, please contact Tammy Whitcomb, Assistant Inspector General for Audit, at (703) 248-2321.



David C. Williams  
Inspector General

Enclosures

## **Appendix A: Scope and Methodology**

We tested compliance with the HHS OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 15 of 378 audit and attestation reports issued during the period October 1, 2007 through September 30, 2008, and semiannual reporting periods March 2008 and September 2008. We also reviewed the internal quality control review performed by HHS OIG.

In addition, we reviewed the HHS OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period October 1, 2007, through September 30, 2008. During the period, HHS OIG contracted for the audit of its agency's fiscal year 2008 financial statements. HHS OIG also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

We visited the HHS OIG Headquarters office in Washington, DC and Rockville, MD. We also interviewed selected staff to determine the extent to which HHS OIG's quality and assurance policies and procedures have been effectively communicated to staff and to obtain staff's views about a number of factors related to the agency's adherence to those policies and procedures. We also reviewed the training records and official personnel files of selected employees to determine if employees achieved the required continuing professional educational credits and if they collectively possessed the knowledge and skills to conduct the audits.

### **Reviewed Engagements Performed by HHS OIG**

| <b><u>Report No</u></b> | <b><u>Report Date</u></b> | <b><u>Report Title</u></b>  |
|-------------------------|---------------------------|---|
| A-18-07-30060           | 10/9/2007                 | Review of the National Cancer Institute's Security Program  |
| A-06-07-00042           | 10/24/2007                | Review of Generic Drug Price Increases  |
| A-03-08-00352           | 1/24/2008                 | Attestation Review: Substance Abuse and Mental Health Services Administration Drug Control Accounting Report For Fiscal Year 2007 |
| A-03-08-00353           | 1/24/2008                 | Attestation Review: National Institute on Drug Abuse Drug Control Accounting Report for Fiscal Year 2007                          |

|               |           |  |
|---------------|-----------|--|
| A-01-06-00503 | 1/30/2008 | Payments for Outpatient Hospital, Laboratory, and Radiology Services Made on Behalf of Beneficiaries in Skilled Nursing Facility Stays Covered Under Medicare Part A |
| A-07-08-03105 | 4/15/2008 | Follow-Up Audit of the Medicaid Drug Rebate Program in North Dakota  |
| A-02-05-01016 | 5/16/2008 | Review of New Jersey Family Planning Claims for the Period July 1, 1997, Through March 31, 2002  |
| A-03-07-00560 | 5/22/2008 | Philadelphia County's Title IV-E Claims Based on Contractual Per Diem Rates of \$300 or less for Foster Care Services from October 1997 through September 2002       |
| A-05-07-00063 | 8/28/2008 | Review of Henry Ford Hospital's Reported Fiscal Year 2005 Wage Data  |
| A-11-08-00500 | 9/15/2008 | Results of Fiscal Year 2008 Internal Quality Control Reviews   |
| A-09-07-00087 | 9/16/2008 | Review of Improper Temporary Assistance for Needy Families Basic Assistance Payments in California for April 1, 2006 Through March 31, 2007                          |
| A-18-08-30140 | 9/16/2008 | Audit of the Department's Security Program   |
| A-04-05-02009 | 9/18/2008 | Review of Comprehensive Outpatient Rehabilitation Facility Therapy Services Provided by Ultimate Rehabilitation Agency, Inc.   |

**Reviews of Monitoring Performed Over IPAs**

| <b><u>Report No</u></b> | <b><u>Report Date</u></b> | <b><u>Report Title</u></b>   |
|-------------------------|---------------------------|--|
| A-17-07-02007           | 11/9/2007                 | Report on the Financial Statement Audit of the Centers for Medicare & Medicaid Services for Fiscal Year 2007 |
| A-17-08-00009           | 9/2/2008                  | Report on Controls Placed in Operation and Tests of Operating Effectiveness – Grants Management              |



**Appendix B: Management's Comments**



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JUN - 4 2009

Ms. Tammy Whitcomb  
Assistant Inspector General for Audit  
Office of Inspector General  
U.S. Postal Service  
Arlington, Virginia 22209-2020

Dear Ms. Whitcomb:

I was pleased to receive your draft report on the external quality control review of my office, which concluded that our system of quality controls met the standards established by the Comptroller General of the United States.

The external peer review process is an important element of our quality control system and one upon which we place much reliance. My office has benefited from the interaction with your staff. Please let the review team know that we appreciate their outstanding professionalism, and thank them for their participation in this review.

We look forward to receiving the final report. My staff and I are available if you wish to discuss the results of the review.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. E. Vengrin".

Joseph E. Vengrin  
Deputy Inspector General  
for Audit Services

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