



June 28, 2012

THE HONORABLE CHARLES K. EDWARDS
ACTING INSPECTOR GENERAL
U.S. DEPARTMENT OF HOMELAND SECURITY

SUBJECT: Final Report – External Quality Control Review of the U.S. Department of
Homeland Security Office of Inspector General Audit Organization
(Report Number QA-PR-12-001)

This report presents the results of our external quality control review of the U.S. Department of Homeland Security Office of Inspector General (DHS OIG) audit organization (Project Number 12WT002QA000).

We have reviewed the system of quality control for the audit organization of the Department of Homeland Security in effect for the year ended September 30, 2011. A system of quality control encompasses DHS 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 *Government Auditing Standards*. DHS OIG is responsible for designing a system of quality control and complying with it to provide DHS 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 DHS 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 DHS OIG personnel and obtained an understanding of the nature of the DHS OIG audit organization, and the design of the DHS 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 the DHS OIG's system of quality control. The engagements selected represented a reasonable cross-section of the DHS OIG's audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we met with DHS 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 DHS OIG's audit organization. In addition, we tested compliance with the DHS OIG's quality control policies and procedures to the extent we considered appropriate.

These tests covered the application of the DHS 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.

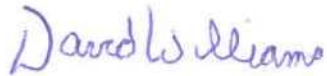
In our opinion, the system of quality control for the audit organization of DHS OIG in effect for the year ended September 30, 2011, has been suitably designed and complied with to provide DHS OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. DHS OIG has received a peer review rating of *pass*.

As is customary, we have issued a letter dated June 28, 2012, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

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 DHS 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 DHS OIG had controls to reasonably 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 DHS OIG's monitoring of work performed by IPAs.

We made certain comments related to DHS OIG's monitoring of engagements performed by IPAs that are included in the above referenced letter dated June 28, 2012.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions, please contact me or have your staff contact Mark W. Duda, Assistant Inspector General for Audit, at 703-248-2100.



David C. Williams
Inspector General

Enclosures

Appendix A. Scope and Methodology

We tested compliance with the DHS OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 13 of 147 audit reports issued during the period October 1, 2010, through September 30, 2011, and semiannual reporting periods ending March 2011 and September 2011. We also reviewed two internal quality control reviews performed by DHS OIG.

In addition, we reviewed the DHS OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period October 1, 2010, through September 30, 2011. During the period, DHS OIG contracted for the audit of its agency's fiscal year 2010 financial statements. DHS OIG also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

We visited the DHS OIG Headquarters office in Washington, DC. We also interviewed selected staff to determine the extent to which the DHS OIG's quality 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 selected information from the personnel files of selected employees to determine whether employees achieved the required continuing professional educational credits and whether they collectively possessed the knowledge and skills to conduct the audits.

Reviewed Engagements Performed by DHS OIG

<u>Report Number</u>	<u>Report Date</u>	<u>Report Title</u>
OIG - 11 - 15	November 19, 2010	<i>Review of the Quality of Data Submitted by Department of Homeland Security Recipients of American Recorvey and Reinvestment Act of 2009 Funds</i>
OIG - 11 - 26	January 10, 2011	<i>U.S. Immigration and Customs Enforcement Identification of Criminal Aliens in Federal and State Custody Eligible for Removal from the United States</i>
OIG - 11 - 42	February 4, 2011	<i>Planning and Funding Issues Hindered CBP's Implementation of the System Availability Project</i>
OIG - 11 - 69	April 1, 2011	<i>Federal Emergency Management Agency Faces Challenges in Modernizing Information Technology</i>
OIG - 11 - 95	July 7, 2011	<i>TSA's Oversight of the Airport Badging Process Needs Improvement</i>
OIG - 11 - 99	July 29, 2011	<i>Improvements in Patch and Configuration Management Contols Can Better Protect TSA's Wireless Network and Devices</i>
DD -11 - 005	December 13, 2010	<i>Chambers County Texas</i>
DS -11 - 12	September 13, 2011	<i>FEMA Public Assistance Grant Funds Awarded to City of Paso Robles, California</i>
DA - 09 - 21	September 30, 2010	<i>Internal Quality Control Review of DA-09-21</i>
OIG - 10 - 55	September 16, 2011	<i>Internal Quality Control Review of DHS Contracts Awarded Through Other Than Full and Open Competition During Fiscal Year 2009</i>

Reviewed Monitoring Files of DHS OIG for Contracted Engagements

<u>Report Number</u>	<u>Report Date</u>	<u>Report Title</u>
OIG - 11 - 02	October 21, 2010	<i>Improvements Needed in FEMA's Management of Public Assistance - Technical Assistance Contracts</i>
OIG - 11 - 30	January 13, 2011	<i>The State of New York's Management of State Homeland Security Program and Urban Areas Security Initiative Grants Awarded During Fiscal Years 2006 through 2008</i>
OIG - 11 - 75	April 13, 2011	<i>Federal Emergency Management Agency's Management Letter for FY 2010 DHS Consolidated Financial Statements Audit</i>
OIG - 11 - 77	April 21, 2011	<i>Opportunities to Improve FEMA's Mass Care and Emergency Assistance Activities</i>
OIG - 11 - 79	May 6, 2011	<i>Information Technology Management Letter for the Federal Emergency Management Agency Component of the FY 2010 DHS Financial Statement Audit</i>

Appendix B. Management's Comments



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

June 25, 2012

The Honorable David C. Williams
Inspector General
United States Postal Service
1735 North Lynn Street
Arlington, VA 22209

Dear Mr. Williams:

Thank you for the opportunity to comment on your draft System Review Report on the Department of Homeland Security Office of Inspector General audit offices external peer review. We note your conclusion that our system of quality control, in effect for the fiscal year ended September 30, 2011, was suitably designed and complied with to provide us with reasonable assurance of performing audits and reporting results in conformity with applicable professional standards in all material respects. We are pleased to receive a peer review rating of *pass*.

We are firmly committed to maintaining an effective system of quality controls and work continuously to improve our operations. We are providing a separate response to your draft Letter of Comment, which identified minor enhancements needed to our audit policies and guidance. We concur with your recommended enhancements and describe the corrective actions taken and planned in our response.

We appreciate the thorough and professional manner in which your staff conducted the review.

Should you have any questions, please call me, or your staff may contact Louise McGlathery, Acting Assistant Inspector General for Management, at (202) 254-4100.

Sincerely,

A handwritten signature in blue ink that reads "Charles K. Edwards".

Charles K. Edwards

Acting Inspector General