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# *Office of Inspector General*

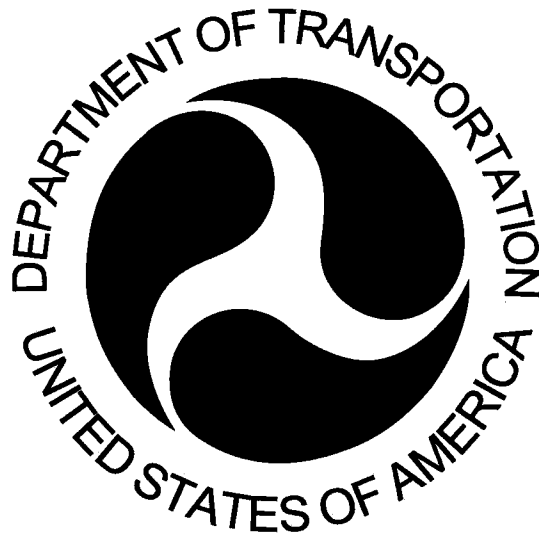
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## **REPORT ON EXTERNAL QUALITY CONTROL REVIEW**

*U.S. Department of Labor, Office of Inspector General Audit  
Organization*

*February 23, 2010*





**U.S. Department of  
Transportation**  
Office of the Secretary  
of Transportation

The Inspector General

Office of Inspector General  
Washington, DC 20590

February 23, 2010

Mr. Daniel R. Petrole  
Acting Inspector General  
U.S. Department of Labor  
200 Constitution Avenue, NW  
Room S-5502  
Washington, DC 20210

Dear Mr. Petrole:

We have reviewed the system of quality control for the Department of Labor, Office of Inspector General (DOL OIG) audit organization for the fiscal year ended September 30, 2009. The DOL OIG is responsible for designing a system of quality control that encompasses DOL OIG's organizational structure, the policies adopted, and the procedures established to provide DOL OIG with reasonable assurance that it conforms with *Government Auditing Standards* in all material respects. The elements of quality control are described in *Government Auditing Standards*. Our responsibility is to express an opinion on the design of the system of quality control and DOL OIG's compliance 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 DOL OIG personnel to obtain an understanding of the nature of the DOL OIG audit organization and to determine whether the design of DOL OIG's system of quality control is 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 DOL OIG's system of quality control. The engagements selected represented a reasonable cross-section of the DOL OIG's audit organization, with emphasis on higher-risk engagements. However, our selective tests would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance. In fact, there are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance may occur and

may not be detected. For example, projection of any evaluation of a system of quality control is subject to the risk that the system of quality control may become inadequate due to changes in conditions or deterioration of compliance with the policies or procedures.

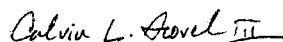
Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with DOL OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. The exhibit to this report identifies the offices of DOL OIG that we visited and the audit reports we reviewed.

In our opinion, the system of quality control for DOL OIG's audit organization in effect for the year ended September 30, 2009, has been suitably designed and complied with to provide DOL 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. The DOL OIG has received a peer review rating of pass. DOL OIG agreed with this conclusion. A copy of the response is included as an Appendix to this report.

During the course of our review, we identified several notable practices, which were highlighted in our transmittal letter of the draft report. In addition to reviewing DOL OIG's system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with CIGIE guidance to review DOL OIG's monitoring of contracted work performed by Independent Public Accountants (IPA)—where IPA served as the principal auditor—and to determine whether DOL OIG had controls to ensure IPA performed their work in accordance with professional standards. Monitoring IPA engagements, however, is not an audit and therefore is not subject to the requirements of *Government Auditing Standards*. Since it was not our objective to express an opinion on DOL OIG's monitoring of work performed by IPAs, we accordingly do not express such an opinion.

I want to express our appreciation for the courtesies extended by your office to the peer review team during this review.

Sincerely,



Calvin L. Scovel III  
Inspector General

## EXHIBIT A. SCOPE AND METHODOLOGY

We tested compliance with DOL OIG's system of quality control to the extent we considered appropriate. These tests included a review of 6 of 24 audit reports issued during October 1, 2008, through September 30, 2009, and semiannual reporting periods ended March 31, 2009, and September 30, 2009. We also reviewed the internal quality control reviews performed by DOL OIG.

In addition, we reviewed the DOL OIG's monitoring of contracted work performed by IPAs where the IPA served as the principal auditor during the period October 1, 2008, through September 30, 2009. During this period, DOL OIG contracted for the audit of its agency's fiscal year 2008 financial statements and eight other engagements that were to be performed in accordance with *Government Auditing Standards*.

We performed our review between October 2009 and January 2010. We visited DOL OIG offices in Washington, DC (Headquarters); San Francisco, CA; Philadelphia, PA; and Atlanta, GA.

### Audit Reports Reviewed

Report Number	Title	Issue Date
04-09-001-03-001	The City of Atlanta, Georgia Did Not Adequately Manage Welfare-to-Work and Workforce Investment Act Grants	November 17, 2008
03-09-002-10-001	Procurement Violations and Irregularities Occurred in OSHA's Oversight of a Blanket Purchase Agreement	March 31, 2009
26-09-001-01-370	Performance Audit of Management and Training Corporation Job Corps Centers	March 31, 2009
04-09-004-04-431	OWCP's Jacksonville and New York District Offices Need To Improve Monitoring of Re-employment Status of Claimants	September 29, 2009
03-09-003-03-390	Audit of Workforce Investment Act Data Validation for the Adult and Dislocated Worker Programs	September 30, 2009
26-09-003-01-370	Performance Audit of Adams and Associates, Incorporated Job Corps Centers	September 30, 2009

**Reviewed Monitoring Files of DOL OIG for Contracted Work**

22-09-002-13-001	Independent Auditors' Report on the U.S. Department of Labor's FY 2008 Consolidated Financial Statements	November 17, 2008
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## APPENDIX. MANAGEMENT COMMENTS

**U.S. Department of Labor**

Office of Inspector General  
Washington, DC. 20210



February 19, 2010

The Honorable Calvin L. Scovel III  
Inspector General  
U.S. Department of Transportation  
1200 New Jersey Avenue, SE  
Washington, D.C. 20590

Dear Mr. Scovell:

Thank you for the opportunity to comment on your draft System Review Report on the Department of Labor, Office of Inspector General Audit Organization. We agree with your conclusion that our system of quality control was suitably designed and provided us with reasonable assurance of performing and reporting audit results in conformity with applicable professional standards. We are pleased to receive a peer review rating of *pass*.

We reiterate our commitment to maintaining an effective system of quality controls and to working continuously to improve our operations. Further, we appreciate the professional manner in which your staff conducted the review and their candidness when sharing best practices between our organizations. Should you have any questions, please call me, or your staff may contact Elliot Lewis, Assistant Inspector General for Audit, at (202) 693-5170.

Sincerely,

A handwritten signature in black ink that reads "Daniel R. Petrole".

Daniel R. Petrole  
Deputy Inspector General

Working for America's Workforce

**Appendix. Management Comments**