



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

October 25, 2012

The Honorable Kathleen S. Tighe
Inspector General
U.S. Department of Education
Office of Inspector General
400 Maryland Avenue, SW
Washington, DC 20202-1500

Dear Ms. Tighe:

Enclosed is our report on the system of quality control for your audit organization.

On behalf of my office, I would like to extend my thanks to your staff for their courtesies and cooperation during our review.

Sincerely,

Eric M. Thorson
Inspector General

Enclosure



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System Review Report

OIG-CA-13-001

To the Honorable Kathleen S. Tighe, Inspector General
U.S. Department of Education

We have reviewed the system of quality control for the audit organization of the U.S. Department of Education Office of the Inspector General (Education OIG) in effect for the year ended March 31, 2012. A system of quality control encompasses Education 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*. Education OIG is responsible for designing a system of quality control and complying with it to provide Education 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 Education 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 Education OIG personnel and obtained an understanding of the nature of Education OIG's audit organization, and the design of Education 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 Education OIG's system of quality control. The engagements selected represented a reasonable cross-section of Education 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 Education OIG's 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 Education OIG's audit organization. In addition, we tested compliance with Education OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of Education 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.

The Enclosure to this report identifies engagements performed by Education OIG and monitoring files of Education OIG's contracted engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of Education OIG in effect for the year ended March 31, 2012, has been suitably designed and complied with to provide Education 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*. Education 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 Education OIG's monitoring of engagements performed by Independent Public Accountants (IPA) under contract with Education OIG. 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 Education 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 Education OIG's monitoring of work performed by IPAs.



Eric M. Thorson, Inspector General
October 25, 2012

Enclosure

SCOPE AND METHODOLOGY

We tested compliance with the U.S. Department of Education Office of Inspector General (Education OIG) audit organization's system of quality control to the extent we considered appropriate. Our tests included a review of 8 of 30 audit and attestation reports issued during the period April 1, 2011, through March 31, 2012. We also reviewed one audit issued on January 24, 2011, as part of our review of the internal quality control reviews performed by Education OIG, as none of the audits issued during the period April 1, 2011, through March 31, 2012, had undergone an internal quality control review. The selected engagements are shown in Table 1 below. Additionally, we examined documentation supporting Education OIG audit organization's independence, competence, and internal quality control reviews performed by its staff, and interviewed Education OIG audit organization's professional staff from each of its regions.

Table 1: Reviewed Engagements Performed by Education OIG

Report Number	Report Title	Report Date
A04J0005	Puerto Rico Department of Education's Award and Administration of Personal Services Contracts	1/24/11
A06K0003	Louisiana: Use of Funds and Data Quality for Selected American Recovery and Reinvestment Act Programs	4/11/11
A09K0001	Utah: Use of Funds and Data Quality for Selected American Recovery and Reinvestment Act Programs	5/13/11
A02J0002	Camden City Public School District's Administration of Federal Education Funds	6/6/11
A03K0008	Virginia: Use of Funds and Data Quality for Selected American Recovery and Reinvestment Act Programs	6/9/11
A11L0003	The U.S. Department of Education's Compliance with the Federal Information Security Management Act for Fiscal Year 2011	10/18/11
A19I0007	Department's Implementation of the Teacher Incentive Fund Grant Program	12/30/11
A02K0014	Camden City Public School District's Administration of Non-Salary Federal Education Funds	3/6/12
A05K0012	Saint Mary-of-the-Woods College's Administration of the Title IV Programs	3/29/12

SCOPE AND METHODOLOGY

We reviewed Education OIG's monitoring files for three engagements performed by Independent Public Accountants during the period April 1, 2011, through March 31, 2012, as shown in Table 2 below.

Table 2: Reviewed Monitoring Files of Education OIG for Contracted Engagements

Report Number	Report Title	Report Date
A11L0001	Education Department Utility for Communications, Applications, and Technology Environment (EDUCATE) Information Security Audit	9/30/11
A17L0001	U.S. Department of Education FY 2011 Agency Financial Report	11/15/11
A17L0002	U.S. Department of Education Federal Student Aid Annual Report 2011	11/15/11