



March 21, 2013

## System Review Report

The Honorable George J. Opfer  
Inspector General  
U.S. Department of Veterans Affairs  
Office of Inspector General (50)  
810 Vermont Avenue N.W.  
Washington, D.C. 20420

We have reviewed the system of quality control for the audit organization of U.S. Department of Veterans Affairs, Office of Inspector General (VA OIG) in effect for the year ended September 30, 2012. A system of quality control encompasses VA 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*. VA OIG is responsible for designing a system of quality control and complying with it to provide VA 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 VA 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 VA OIG personnel and obtained an understanding of the nature of the VA OIG audit organization, and the design of the VA 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 VA OIG's system of quality control. The engagements selected represented a reasonable cross-section of the VA 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 VA 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 VA OIG's audit function. In addition, we tested compliance with the VA OIG's quality control policies and procedures to the extent we considered

appropriate. These tests covered the application of the VA 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.

Enclosure 1 to this report identifies the offices of the VA OIG that we visited and the engagements that we reviewed. Enclosure 2 is your response to the draft report in its entirety.

In our opinion, the system of quality control for the audit organization of VA OIG in effect for the year ended September 30, 2012, has been suitably designed and complied with to provide VA 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*. VA OIG has received a peer review rating of *pass*.

As is customary, we have issued a letter dated March 21, 2013, that sets forth a finding that was 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 VA 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 VA 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 VA OIG's monitoring of work performed by IPAs.



Daniel R. Petrole  
Deputy Inspector General

Enclosures

## SCOPE AND METHODOLOGY

### Scope and Methodology

We tested compliance with the VA OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 4 of 18 audit and attestation reports issued during the period October 1, 2011, through September 30, 2012, and semiannual reporting periods October 1, 2011, through March 31, 2012, and April 1, 2012, through September 30, 2012. We also reviewed the internal quality control reviews performed by VA OIG.

In addition, we reviewed the VA OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period October 1, 2011, through September 30, 2012. During the period, VA OIG contracted for the audit of its agency's consolidated fiscal statements for fiscal years 2011 and 2010 to be performed in accordance with *Government Auditing Standards*.

We visited the Washington, DC, and Atlanta, GA, offices of VA OIG and held audio conferences with other related offices.

### Reviewed Engagements Performed by VA OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
11-00333-254	8/30/2012	Audit of VHA's Medical Care Collections Fund Billing of VA-Provided Care
11-04081-142	4/19/2012	Audit of VA's Duty Station Assignments
11-00312-127	3/30/2012	Audit of VHA's Prosthetics Supply Inventory Management
11-03217-293	9/30/2012	Audit of VA's Savings Reported Under OMB's Acquisition Savings Initiative

### Reviewed Monitoring Files of VA OIG for Contracted Engagements

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
11-00343-26	11/10/2011	Audit of VA's Consolidated Financial Statements for Fiscal Years 2011 and 2010



**Department of Veterans Affairs  
Office of Inspector General  
Washington, DC 20420**

March 19, 2013

Elliot Lewis, Assistant Inspector General  
U.S. Department of Labor  
Office of Inspector General  
200 Constitution Avenue, N.W.  
Room S-5512  
Washington, D.C. 20210

Dear Mr. Lewis:

This is in reply to your draft report on the system review report of the external quality control review of the Department of Veterans Affairs, Office of the Inspector General, on March 18, 2013. We appreciate the in-depth review that your staff performed on our quality control system. We also appreciate the quality and the professionalism of the peer review team and their assistance to our organization.

Thank you for the opportunity to review the draft report. We agree with the peer review "pass" rating and concur with the report as written. Therefore, we have no comments to the draft system review report.

Please contact me at 202-461-4725 or Ms. Charlene Moore, Director, Audit Quality Assurance Division at 202-461-4555, should you have any questions or concerns as you prepare your final report.

  
LINDA A. HALLIDAY  
Assistant Inspector General  
for Audits and Evaluations