



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20250



System Review Report

December 23, 2009

The Honorable George J. Opfer
Inspector General
U.S. Department of Veterans Affairs
Office of Inspector General
810 Vermont Avenue N.W., Room 1100TW
Washington, D.C. 20420

To be transmitted via fax: (202) 565-8667

Dear Mr. Opfer:

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, 2009. 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 itself with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion, based on our review, on the design of the system of quality control and VA OIG's compliance therewith.

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 an understanding of 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 for 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 we agreed with VA OIG management that there was no need to meet and 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 organization. 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.

The enclosure to this report—"Scope and Methodology"—identifies the offices of the VA OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of VA OIG in effect for the year ended September 30, 2009, 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*.

In addition to reviewing VA OIG's system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by 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 that 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.

We appreciate the cooperation and courtesies extended to us by members of your staff during the conduct of this review.

Sincerely,

(original signed by:)

Phyllis K. Fong
Inspector General

Enclosure

SCOPE AND METHODOLOGY (Enclosure)

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 9 of 23 audit and attestation reports issued during the period October 1, 2008, through September 30, 2009, and semiannual reporting periods October 1, 2008, through March 31, 2009, and April 1, 2009, through September 30, 2009. 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, 2008, through September 30, 2009. During this period, VA OIG contracted for the audit of the VA's consolidated fiscal statements for fiscal years 2008 and 2007. VA OIG also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

We visited the Washington, DC; Seattle, WA; Dallas, TX; and Kansas City, MO, offices of VA OIG.

Reviewed Engagements Performed by VA OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
08-02073-096	03/12/2009	Audit of Veterans Benefits Administration Compensation Rating Accuracy and Consistency Reviews
08-02679-134	05/29/2009	Audit of VA's Management of Information Technology Capital Investments
09-00026-143	06/10/2009	Audit of Consolidated Mail Outpatient Pharmacy Contract Management
08-02901-185	08/03/2009	Audit of Veterans Health Administration's Non-VA Outpatient Care
09-01467-216	09/16/2009	Audit of FLITE Program—Management's Implementation of Lessons Learned
09-01193-228	09/28/2009	Audit of Veterans Benefits Administration's Control of Veterans' Claim Folders
09-00863-087	03/06/2009	Review of VA's Fiscal Year 2008 Detailed Accounting Submission to the Office of National Drug Control Policy

Reviewed Monitoring Files of VA OIG for Contracted Engagements

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
08-00870-024	11/17/2008	Audit of VA's Consolidated Financial Statements for Fiscal Years 2008 and 2007
08-01076-074	02/16/2009	Fiscal Year 2008 Federal Information Security Management Act Assessment