



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

JUL - 6 2009

The Honorable Mary Mitchelson
Acting Inspector General
U. S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

Subject: System Review Report on the U.S. Department of Education's Office of Inspector General Audit Organization

Dear Ms. Mitchelson:

Attached is the final System Review Report of the U.S. Department of Education's Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and Council of the Inspectors General on Integrity and Efficiency guidelines. Your office's response to the draft report is included as Enclosure 2 of the report.

We thank you and all of your staff that we dealt with for your assistance and cooperation during the conduct of the review.

/s/

Brian D. Miller
Inspector General

Attachment





System Review Report

JUL - 6 2009

To The Honorable Mary Mitchelson
Acting Inspector General
U.S. Department of Education

We have reviewed the system of quality control for the audit organization within the Office of Inspector General (OIG) for the U.S. Department of Education (ED) in effect for the year ended March 31, 2009. A system of quality control encompasses the ED 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*. The ED OIG is responsible for designing a system of quality control and complying with it to provide the ED 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 the ED 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 ED OIG personnel and obtained an understanding of the nature of the ED OIG audit organization, and the design of the ED 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 ED OIG's system of quality control. The engagements selected represented a reasonable cross-section of the ED 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 the ED 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 ED OIG's audit organization. In addition, we tested compliance with the ED OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the ED 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 enclosures to this report identify the offices of the ED OIG that we visited, the engagements that we reviewed and your office's response to this report.

In our opinion, the system of quality control for the audit organization of the ED OIG in effect for the year ended March 31, 2009, has been suitably designed and complied with to provide the ED 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 ED 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 ED OIG's monitoring of an engagement performed by an Independent Public Accountant (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of engagements performed by an IPA 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 the ED OIG had controls to ensure the IPA 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 the ED OIG's monitoring of work performed by an IPA.

/s/

Brian D. Miller
Inspector General
U.S. General Services Administration

Enclosures

Scope and Methodology

We tested compliance with the ED OIG’s system of quality control to the extent we considered appropriate. These tests included a review of 10 of 30 audit and attestation reports issued between April 1, 2008 and March 31, 2009. We also reviewed the internal quality control reviews performed by the ED OIG.

In addition, we reviewed ED OIG’s monitoring of an engagement performed by Ernst & Young where this Independent Public Accountant served as the principal auditor for the Agency’s Fiscal Year 2008 financial statements.

ED OIG Offices Visited During Peer Review

- IT Audit Division
- Financial Statements Internal Audit Division
- Philadelphia Audit Office
- Chicago Audit Office

ED OIG Reports Examined During Peer Review

Assignment Number	Audit Report Dates	Audit Report Title
A02I0040	December 31, 2008	NTID Federal Education Funds Expenditures
A03H0009	August 15, 2008	STAR TECH INST Compliance with 90/10 Rule FYs 2004 & 2005
A04H0017	October 9, 2008	PRDE Administration of Title I Services To Private Schools
A05H0016	May 23, 2008	St. Paul Public Schools’ Teacher Quality Enhancement Grant
A06H0001	July 21, 2008	Consolidated State Performance Cap Report
A09H0015	September 25, 2008	FFELP Improper Payments
A11I0002	September 30, 2008	IT Security Controls over the Debt Management Collection Process
A19H0011	August 1, 2008	Audit of the Process for Disbursing ACG and SMART Grants
		Attestation Report Title
B07I0015	February 11, 2009	Pearson Educational Measurement, Inc. Indirect Cost Rates
		Contracted Audit Report Title
A17I0003	November 17, 2008	FY 2008 ED Special Purpose Financial Statements



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

June 30, 2009

Theodore R. Stehney
Assistant Inspector General for Auditing
U. S. General Services Administration
Office of Inspector General
1800 F. Street, NW
Washington, DC 20405-0002

Subject: Systems Review Report on the U.S. Department of Education, Office of Inspector General, Audit Organization

Dear Mr. Stehney:

Thank you for providing the official draft Systems Review Report on the U.S. Department of Education, Office of Inspector General (ED OIG) audit organization, conducted in accordance with *Government Auditing Standards* and Council of the Inspectors General on Integrity and Efficiency guidelines.

We are pleased with the rating of *pass*, and the opinion that our system of quality control has been suitably designed and complied with to provide responsible assurance of performing and reporting in conformity with applicable professional standards in all material aspects.

We appreciate the professionalism with which your staff conducted this review. We do not have any formal comments and will not be providing a formal response.

/ s /

Keith West
Assistant Inspector General for Audit