



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

System Review Report

March 3, 2010

The Honorable Calvin L. Scovel
Inspector General
U.S. Department of Transportation
Office of Inspector General
1200 New Jersey Avenue S.E., 7th Floor
Washington, DC 20590

Dear Mr. Scovel:

We reviewed the system of quality control for the audit organization of the U.S. Department of Transportation, Office of Inspector General (DOT OIG) in effect for the year ending on September 30, 2009. A system of quality control encompasses DOT OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming to *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. The DOT 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 on the design of the system of quality control and DOT 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 DOT OIG personnel and obtained an understanding of the nature of the DOT OIG audit organization, and the design of DOT 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 DOT OIG's system of quality control. The engagements selected represented a reasonable cross-section of DOT OIG's audit organization, with an emphasis on higher-risk engagements. Prior to concluding the review, we assessed the adequacy of the scope of the peer review procedures and met with DOT 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 DOT OIG's audit organization. In addition, we tested compliance with DOT OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of DOT 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 DOT OIG offices we visited and the engagements we reviewed.

In our opinion, the system of quality control for the audit organization of DOT OIG in effect for the year ending on September 30, 2009, was suitably designed and complied with to provide DOT 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*. DOT OIG received a peer review rating of *pass*.

In addition to reviewing its system of quality control to ensure adherence to *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the CIGIE related to DOT 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 *Government Auditing Standards*. The purpose of our limited procedures was to determine whether DOT 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 DOT 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:)
George J. Opfer
Inspector General

Enclosure

SCOPE AND METHODOLOGY

Scope and Methodology

We tested compliance with DOT OIG's audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 6 of 57 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. In addition, we reviewed DOT OIG's monitoring of an engagement performed by an IPA where the IPA served as the principal auditor during the period October 1, 2008, through September 30, 2009. During this period, DOT OIG contracted for the audit of DOT's consolidated financial statements for fiscal years 2008 and 2007. We also reviewed two internal quality control reviews performed by DOT OIG.

We visited DOT OIG's Washington, DC office, and interviewed staff from DOT OIG's field offices in Seattle, WA, Fort Worth, TX, and Baltimore, MD.

Reviewed Engagements Performed by DOT OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
FI-2009-032	February 4, 2009	Inspector General Review of FY 2008 Drug Control Funds and Performance Summary Reporting – National Highway Traffic Safety Administration
AV-2009-040	March 11, 2009	The Joint Program Office's Management of Intelligent Transportation Systems Program Needs to be Improved – Research and Innovative Technology Administration
MH-2009-034	February 6, 2009	Status Report on NAFTA Cross-Border Trucking Demonstration Project –Federal Motor Carrier Safety Administration
FI-2009-003	October 8, 2008	Audit of Information Security Program – Department of Transportation

MH-2009-068	August 17, 2009	Follow-Up Audit on the Implementation of the North American Free Trade Agreement's Cross-Border Trucking Provisions – Federal Motor Carrier Safety Administration
AV-2009-065	June 29, 2009	Air Traffic Control: Potential Fatigue Factors – Federal Aviation Administration

Reviewed Monitoring Files of DOT OIG for Contracted Engagements

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
QC-2009-009	November 14, 2008	Quality Control Review of Consolidated Financial Statements for FY 2008 and FY 2007 – Department of Transportation