



DEPARTMENT OF HEALTH AND HUMAN SERVICES

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**OFFICE OF INSPECTOR GENERAL**

WASHINGTON, DC 20201



April 23, 2019

Report Number: A-07-18-01186

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

Dear Inspector General Scovel:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Report on the External Quality Control Review of the Audit Organization of the U.S. Department of Transportation, Office of Inspector General*. We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency guidelines and discussed the review with you and members of your staff on April 22, 2019.

Section 8M of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG website. Accordingly, this report will be posted at <https://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me. Otherwise, your staff may contact Gloria L. Jarmon, Deputy Inspector General for Audit Services, at (202) 619-3155 or by email at [Gloria.Jarmon@oig.hhs.gov](mailto:Gloria.Jarmon@oig.hhs.gov).

Sincerely,

/Daniel R. Levinson/  
Inspector General

Enclosure

**REPORT ON THE EXTERNAL QUALITY CONTROL REVIEW  
OF THE AUDIT ORGANIZATION OF THE  
U.S. DEPARTMENT OF TRANSPORTATION,  
OFFICE OF INSPECTOR GENERAL**

We reviewed the system of quality control for the audit organization of the U.S. Department of Transportation (DOT), Office of Inspector General (OIG), in effect for the year ended September 30, 2018. 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 with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*.

DOT OIG is responsible for establishing and maintaining a system of quality control that is designed to provide DOT OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements 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 based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. 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 audits and administrative files to test for conformity with professional standards and compliance with DOT OIG's system of quality control. The audits selected represented a reasonable cross-section of DOT OIG's audit organization, with emphasis on higher-risk audits. Before concluding the review, we reassessed 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 the DOT OIG audit organization. In addition, we tested compliance with DOT OIG's quality control policies and procedures to the extent that we considered appropriate. These tests covered the application of DOT OIG's policies and procedures on selected audits. 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 Appendix identifies the audits that we reviewed, as well as our scope and methodology.

In our opinion, the system of quality control for the audit organization of DOT OIG in effect for the year ended September 30, 2018, has been 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 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 CIGIE related to DOT OIG's monitoring of audits performed by independent public accountants (IPAs) 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 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.

## SCOPE AND METHODOLOGY

We tested compliance with the DOT OIG audit organization's system of quality control to the extent that we considered appropriate. These tests included a review of 8 of 40 audit reports issued from October 1, 2017, through September 30, 2018, and semi-annual reporting periods ended March 2018 and September 2018. We also reviewed one report included in an internal quality control review performed by DOT OIG. DOT OIG had no audits terminated from October 1, 2017, through September 30, 2018.

In addition, we reviewed DOT OIG's monitoring of one engagement performed by an IPA for which the IPA served as a principal auditor. DOT OIG contracted for certain engagements that were to be performed in accordance with *Government Auditing Standards*.

We visited the Washington, DC, office of DOT OIG. We interviewed staff members to determine whether DOT OIG's quality control and assurance policies and procedures were effectively communicated to staff. We also reviewed the training records of selected employees to determine whether they had obtained the required continuing professional education credits and whether they collectively possessed the knowledge and skills needed to conduct audits.

## REVIEWED ENGAGEMENTS PERFORMED BY THE U.S. DEPARTMENT OF TRANSPORTATION, OFFICE OF INSPECTOR GENERAL

1. *FAA Has Made Progress Implementing NextGen Priorities, but Additional Actions Are Needed To Improve Risk Management*, Report No. AV2018001, October 18, 2017.
2. *Report on the Audited Financial Statements for Fiscal Year 2017—Saint Lawrence Seaway Development Corporation*, Report No. FI2018003, November 8, 2017.
3. *FAA Needs To Enhance the Oversight and Management of Its Overflight Fee Program*, Report No. FI2018011, December 11, 2017.
4. *FISMA 2017: DOT's Information Security Posture Is Still Not Effective*, Report No. FI2018017, January 24, 2018.
5. *Inspector General Review of NHTSA's Fiscal Year 2017 Drug Control Funds and Performance Summary Reporting*, Report No. FI2018022, January 31, 2018.
6. *Gaps in USMMA's Sexual Assault Prevention and Response Program Limit Its Effectiveness*, Report No. ST2018039, March 28, 2018.
7. *FAA's Management and Oversight Are Inadequate To Secure Timely and Cost-Efficient Agency-Leased Offices and Warehouses*, Report No. ZA2018040, April 11, 2018.

8. *PHMSA Has an Opportunity To Refine Its Guidance and Performance Reporting for the Pipeline Safety Research and Development Program*, Report No. ST2018056, May 30, 2018.

9. *Quality Control Review for the National Transportation Safety Board's Audited Financial Statements for Fiscal Years 2017 and 2016*, Report No. QC2018004, November 13, 2017.<sup>1</sup>

**REVIEWED INTERNAL QUALITY CONTROL REVIEW PERFORMED BY THE U.S. DEPARTMENT OF TRANSPORTATION, OFFICE OF INSPECTOR GENERAL**

*FHWA Does Not Effectively Ensure States Account for Preliminary Engineering Costs and Reimburse Funds as Required*, Report No. ST-2016-095, August 25, 2016.

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<sup>1</sup> DOT OIG used an IPA to serve as a principal auditor for a portion of this engagement.