



NATIONAL ENDOWMENT FOR THE

Humanities

OFFICE OF INSPECTOR GENERAL

System Review Report

March 27, 2014

Ms. Kathy A. Buller, Inspector General
Peace Corps Office of Inspector General
1111 20th Street, NW
Washington, DC 20526

We have reviewed the system of quality control for the audit organization of the Peace Corps Office of Inspector General (OIG) in effect for the year ended September 30, 2013. A system of quality control encompasses the Peace Corps 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 Peace Corps OIG is responsible for designing a system of quality control and complying with it to provide the Peace Corps 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 Peace Corps 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 Peace Corps OIG personnel and obtained an understanding of the nature of the Peace Corps OIG audit organization, and the design of the Peace Corps 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 Peace Corps OIG's system of quality control. The engagements selected represented a reasonable cross-section of the Peace Corps 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 Peace Corps 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 Peace Corps OIG's audit organization. In addition, we tested compliance with the Peace Corps OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the Peace Corps 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 identifies the offices of the Peace Corps OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of the Peace Corps OIG in effect for the year ended September 30, 2013, has been suitably designed and complied with to provide the Peace Corps 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 Peace Corps OIG has received a peer review rating of *pass*. As is customary, we have issued a separate letter dated March 27, 2014 that sets forth findings that were 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 the Peace Corps 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 the Peace Corps 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 the Peace Corps OIG's monitoring of work performed by IPAs.



Laura Davis, Inspector General

Enclosure

SCOPE AND METHODOLOGY

Scope and Methodology

We tested compliance with the Peace Corps OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 3 of 7 audit and attestation reports issued during the period October 1, 2012, through September 30, 2013, and semiannual reporting for the same period.

In addition, we reviewed the Peace Corps OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period October 1, 2012, through September 30, 2013. During the period, the Peace Corps OIG utilized contractors for the audit of the agency's Fiscal Year 2012 financial statements and the Federal Information Security Management Act (FISMA) work. Both of these engagements were to be performed in accordance with *Government Auditing Standards*.

When performing the Peer Review, we visited the Washington, DC office of the Peace Corps OIG.

Reviewed Engagements Performed by the Peace Corps OIG

| <u>Report No.</u> | <u>Report Date</u> | <u>Report Title</u> |
|-------------------|--------------------|---|
| IG-13-06-A | September 2013 | Peace Corps/Zambia |
| IG-13-03-A | March 2013 | Peace Corps/South Africa |
| IG-13-01-A | October 2012 | The Peace Corps' Management of the 50 th Anniversary Program |

Reviewed Monitoring Files of the Peace Corps OIG for Contracted Engagements

| <u>Report No.</u> | <u>Report Date</u> | <u>Report Title</u> |
|-------------------|--------------------|---|
| N/A | November 2012 | Audit of Peace Corps' Fiscal Year 2012 Financial Statements |



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March 25, 2014

Ms. Laura Davis
Inspector General
National Endowment for the Humanities
1100 Pennsylvania Avenue, NW
Washington, D.C. 20506

Dear Ms. Davis:

Thank you for the opportunity to comment on the external quality control review of the Peace Corps Office of Inspector General's audit function. We agree with the results and we are pleased that our system of quality control in effect for the period ended September 30, 2013, conforms to the quality control standards established by the Comptroller General of the United States for a federal audit organization.

Regarding your letter of comment, we are committed to looking for ways to improve our system of quality control to ensure our audit function continues to meet or exceed the standards established by the Comptroller General. In your letter of comment you provided four findings, which were not considered to be of sufficient significance to affect the opinion expressed in the system review report. We have provided a separate response to these findings including actions taken or planned, intended to address the findings, as well as estimated completion dates for future actions.

We appreciate the efforts of your staff in conducting this review in a timely and professional manner.

Sincerely,

A handwritten signature in blue ink that reads "Kathy A. Buller". The signature is written in a cursive style.

Kathy A. Buller
Inspector General