



System Review Report

December 11, 2009

Todd Zinser, Inspector General
U.S. Department of Commerce

We have reviewed the system of quality control for the audit organization of the United States (U.S.) Department of Commerce (DOC) Office of Inspector General (OIG) in effect for the year ended March 31, 2009. A system of quality control encompasses the DOC 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 DOC OIG is responsible for designing a system of quality control and complying with it to provide the DOC 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 DOC OIG's compliance therewith based on our review.

We conducted our review 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 DOC OIG's personnel and obtained an understanding of the nature of the DOC OIG audit organization and the design of the DOC OIG's system of quality control sufficient to assess the risks implicit in the organization's audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the DOC OIG's system of quality control. The engagements selected represented a reasonable cross-section of the DOC 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 DOC 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 DOC OIG's audit organization. In addition, we tested compliance with the DOC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the DOC 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.

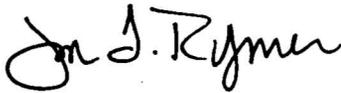
The enclosure to this report identifies the offices of the DOC OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of the DOC OIG, in effect for the year ended March 31, 2009, has been suitably designed and complied with to provide the DOC 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 DOC OIG has received a peer review rating of *pass*.

As is customary, we have issued a letter dated December 11, 2009 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 DOC 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 an engagement 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 DOC OIG had controls to ensure the 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 DOC OIG's monitoring of work performed by IPAs.

We did not make any comments related to the DOC OIG's monitoring of engagements performed by IPAs in the above-referenced letter dated December 11, 2009.



Jon T. Rymer
Inspector General

Enclosure

SCOPE AND METHODOLOGY

We tested compliance with the DOC OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of six of nine audit reports issued by the DOC OIG during the period April 1, 2008 through March 31, 2009. We also reviewed the internal quality control reviews performed by the DOC OIG during the same period.

In addition, we reviewed the DOC OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period April 1, 2008 through March 31, 2009. During the period, the DOC OIG contracted for a total of five reports related to audits of the fiscal year 2008 financial statements for the DOC and U.S. Patent and Trademark Office. We reviewed monitoring activities for the three reports associated with the department-wide financial statement audit.

The CIGIE *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, dated March 2009, was used in the conduct of this review. We visited the Washington, D.C.; Atlanta, Georgia; Denver, Colorado; and Seattle, Washington; offices of the DOC OIG.

Reviewed Engagements Performed by the DOC OIG

Report No.	Report Date	Report Title
ATL-18567	March 2009	<i>South Carolina MEP [Manufacturing Extension Partnership] Award No. 70NANB5H1187</i>
ATL-18568	March 2009	<i>Florida MEP Award No. 70NANB3H2002</i>
CAR-18706	March 2009	<i>The ReJen Company NIST [National Institute of Standards and Technology] Cooperative Agreement No. 70NANB4H3011</i>
DEN-19003	March 2009	<i>Public Safety Interoperable Communications Grant Program</i>
DEN-19021	May 2008	<i>Review of Fiscal Year 2006 Congressional Earmarks</i>
STL-18837	October 2008	<i>San Bernardino International Airport Authority and the Inland Valley Development Agency</i>

Reviewed Monitoring Files of the DOC OIG for Contracted Engagements

Report No.	Report Date	Report Title
FSD-19048-9-0001	November 2008	<i>Review of IT Controls in Support of the FY 2008 Consolidated Financial Statement Audit</i>
FSD-19048-9-0002	November 2008	<i>FY 2008 Consolidated Financial Statements</i>
FSD-19048-9-0003	November 2008	<i>FY 2008 Special-Purpose Financial Statements</i>