



## NASA OFFICE OF INSPECTOR GENERAL

OFFICE OF AUDITS  
SUITE 8U71, 300 E ST SW  
WASHINGTON, D.C. 20546-0001

March 15, 2018

The Honorable Peggy Gustafson  
Inspector General  
U.S. Department of Commerce  
1401 Constitution Avenue NW  
Washington, DC 20230

Dear Inspector General Gustafson,

The NASA Office of Inspector General (OIG) has reviewed the internal quality control system for the Department of Commerce Office of Inspector General's (Commerce OIG) Office of Audit and Evaluation in effect for the fiscal year ending September 30, 2017. This system includes the policies and procedures established to provide the organization with reasonable assurance that its work products conform with quality control standards described in the Government Accountability Office's *Government Auditing Standards, December 2011 Revision* (GAGAS). Commerce OIG is responsible for establishing and maintaining a quality control system that provides reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements. Our responsibility in this peer review is to express an opinion on the Commerce OIG's design of and adherence to this quality control system.

We conducted our review in accordance with GAGAS and the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. We interviewed Commerce OIG personnel, obtained an understanding of the nature of its audit organization, and determined if the controls in place were sufficient to assess the risks implicit in Commerce OIG's audit function. As part of our assessment, we reviewed documentation from select audits and administrative files to test for conformity with professional standards and compliance with Commerce OIG's system of quality control. (See Enclosure 1 for a list of the audits we reviewed.) The engagements selected represented a reasonable cross-section of Commerce OIG's audit organization, with emphasis on higher-risk projects conducted under GAGAS standards.

In performing our review, we tested compliance with Commerce OIG's quality control policies and procedures to the extent we considered appropriate. We also met with Commerce OIG management to discuss the scope and results of our review. While we believe the procedures performed provide a reasonable basis for our opinion, because our review examined selected audits, we may not have detected all weaknesses in Commerce OIG's system of quality control or all instances of noncompliance. There are inherent limitations in the effectiveness of any quality control system; therefore, noncompliance may occur and not be detected. Projection of the adequacy of a control system to any future period is subjective due to changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

Based on our review, we found the system of quality control for Commerce OIG's Office of Audit and Evaluation in effect for the period October 1, 2016, through September 30, 2017, to be suitably designed and complied with to provide reasonable assurance that the audit organization's performance and reporting met applicable professional standards in all material respects. Audit organizations undergoing an external peer review can receive a rating of pass, pass with deficiencies, or fail. Our review determined Commerce OIG should receive a rating of **PASS**.

As is customary, in a letter dated February 20, 2018, we communicated additional findings that require attention by Commerce OIG managers but were not considered to be of sufficient significance to affect the opinion expressed in our peer review.

In addition to reviewing Commerce OIG's system of quality control to ensure adherence with GAGAS, we examined – to a limited extent in accordance with CIGIE guidance – Commerce OIG's monitoring of audits performed under contract with independent public accountants (IPA). While monitoring of engagements performed by IPAs is not an audit and therefore not subject to GAGAS requirements, our objective was to determine whether Commerce OIG had controls in place to ensure that IPAs performed contracted work in accordance with professional standards, but not to express an opinion on the sufficiency of the monitoring efforts. We identified no matters pertaining to Commerce OIG's monitoring of IPAs.

We appreciate the cooperation and courtesies extended to our review team during the peer review. Please direct any questions to Laurence Hawkins, Audit Operations and Quality Assurance Director, Office of Audits, at 202-358-1543 or [laurence.b.hawkins@nasa.gov](mailto:laurence.b.hawkins@nasa.gov).

Sincerely,

Handwritten signature of Paul K. Martin in black ink.

Paul K. Martin  
Inspector General

**Enclosure – 1**

## Enclosure I: Scope and Methodology

We tested compliance with Commerce OIG's system of quality control by reviewing 5 of 18 audit reports issued during the period October 1, 2016, through September 30, 2017.

We also reviewed Commerce OIG's monitoring of audits performed by IPAs, where the IPA served as the principal auditor during the period October 1, 2016, through September 30, 2017. During this period, Commerce OIG contracted with IPAs to audit the Department of Commerce's and the United States Patent and Trademark Office's fiscal year 2016 financial statements.

In addition, Commerce OIG contracted with an IPA to perform internal quality control reviews. We reviewed the internal quality control reviews performed by the contracted IPA for those audits in our sample.

**Table 1: Commerce OIG Products Reviewed**

Report Number	Date	Title
<b>Performance Audits</b>		
OIG-17-013-A <sup>a</sup>	February 2, 2017	<i>Audit of the Geostationary Operational Environmental Satellite-R Series: Improvements in Testing, Contract Management, and Transparency Are Needed to Control Costs, Schedule, and Risks</i>
OIG-17-014-A	February 3, 2017	<i>NOAA Reviews of Unliquidated Obligations Could Be Improved with Greater Review Frequency and Additional Documentation</i>
OIG-17-022-A <sup>a</sup>	March 29, 2017	<i>2020 Census: Census Bureau Needs to Improve Controls over Administrative Records</i>
OIG-17-029-A <sup>a</sup>	September 5, 2017	<i>MBDA Can Improve Processes to More Effectively Monitor Cooperative Agreements</i>
OIG-17-031-A	September 25, 2017	<i>Awarding of U.S. Census Bureau Noncompetitive Contracts Did Not Consistently Follow Federal Acquisition Regulations and Commerce Acquisition Policies</i>
<b>Financial Statement Audits</b>		
OIG-17-002-A <sup>b</sup>	November 15, 2016	<i>United States Patent and Trademark Office Performance and Accountability Report, Fiscal Year 2016</i>
OIG-17-003-A <sup>b</sup>	November 30, 2016	<i>FY 2016 Financial Statements Audit (Department of Commerce)</i>

Source: Commerce OIG.

<sup>a</sup> Commerce OIG contracted with an IPA to perform internal quality control reviews of this audit.

<sup>b</sup> Commerce OIG contracted with an IPA to perform this financial statements audit. Commerce OIG monitored the IPA's audit work.

## **Commerce OIG Office Visited**

We conducted an on-site review of relevant Commerce OIG documentation and interviewed key Commerce OIG staff at the following location:

U.S. Department of Commerce  
Office of Inspector General  
Audit and Evaluation  
1401 Constitution Avenue NW  
Washington, DC 20230

We also provided questionnaires to Commerce OIG staff located in Alexandria, Virginia; Atlanta, Georgia; Denver, Colorado; Seattle, Washington; Silver Spring, Maryland; and Washington, D.C.