



*Office of Inspector General*

SEP 06 2012

The Honorable Eric M. Thorson, Inspector General  
U.S. Department of the Treasury  
740 15<sup>th</sup> Street, N.W.  
Washington, DC 20220

**SUBJECT: Final Systems Review Report on the U.S. Department of the Treasury Inspector General's Offices of Audit and Small Business Lending Fund Program Oversight**

Dear Mr. Thorson:

Attached is the final System Review Report on the U.S. Department of the Treasury Inspector General's Office of Audit and Small Business Lending Fund Program Oversight in accordance with the Government Accountability Office's *Government Auditing Standards* and Council of the Inspectors General on Integrity and Efficiency guidelines. Your response to the draft report is included in Appendix II.

We thank you and all of your staff that we dealt with for your assistance and cooperation during the conduct of the review.

  
Michael Carroll  
Deputy Inspector General

Attachment



*Office of Inspector General*

SEP 06 2012

## **Systems Review Report**

The Honorable Eric M. Thorson, Inspector General  
U.S. Department of the Treasury

We have reviewed the quality control systems for the audit organizations of the U.S. Department of the Treasury Inspector General's Offices of Audit and Small Business Lending Fund Program Oversight<sup>1</sup> in effect for the year ended March 31, 2012.<sup>2</sup> A quality control system encompasses the Office of the Inspector General's (OIG) 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 the standards. OIG is responsible for designing quality control systems and complying with them to provide 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 systems and OIG's compliance with them, 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 asked OIG personnel for information, and we obtained an understanding of the nature of OIG's audit organizations and the design of their quality control systems sufficient to assess the risks implicit in the audit functions. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with OIG's quality control systems. The engagements selected represented a reasonable cross section of OIG's audit organizations, 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 OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

---

<sup>1</sup> Throughout this report, we refer to the Offices of Audit and Small Business Lending Fund Program Oversight as OIG.

<sup>2</sup> This report is pursuant to the Council of the Inspectors General on Integrity and Efficiency fiscal year 2012 review schedule.

In performing our review, we obtained an understanding of the quality control systems for OIG's audit organizations. In addition, we tested compliance with OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of 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 quality control systems or all instances of noncompliance with them.

There are inherent limitations in the effectiveness of any quality control system, and therefore noncompliance with the system may occur and may not be detected. Projection of any evaluation of a quality control system into the future is subject to the risk that the system may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Appendix I of this report identifies the offices of OIG that we visited and the engagements that we reviewed.

In our opinion, the quality control systems for OIG's audit organizations in effect for the year ended March 31, 2012, have been suitably designed and complied with to provide 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*. OIG has received a peer review rating of *pass*.

In addition to reviewing OIG's quality control systems to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by CIGIE related to OIG's monitoring of engagements performed under contract by Independent Public Accountants (IPAs), which 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 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 OIG's monitoring of work performed by IPAs.



Michael Carroll  
Deputy Inspector General  
United States Agency for International Development

## SCOPE AND METHODOLOGY

### Scope and Methodology

We tested compliance with OIG's audit organizations' systems of quality control to the extent we considered appropriate. These tests included a review of 13 of 97 audit and attestation reports issued from April 1, 2011, through March 31, 2012, and semiannual reporting of April 1, 2011, through March 31, 2012. We also reviewed the internal quality control reviews performed by OIG.

In addition, we reviewed the Office of Audit's monitoring of four engagements performed between April 1, 2011, and March 31, 2012, on which IPAs served as the principal auditor.

We conducted our review at OIG in Washington, DC, and obtained documentation electronically from OIG's field office in Boston, Massachusetts.

**Table 1. Reviewed Engagements Performed by the Department of Treasury OIG**

| Report No. | Report Date | Report Title   |
|------------|-------------|--|
| OIG-12-036 | 1/11/2012   | Safety and Soundness: In-Depth Review of Unity National Bank   |
| OIG-12-006 | 11/9/2011   | Information Technology: Fiscal Year 2011 Audit of Treasury's Federal Information Security Management Act Implementation for its Collateral National Security Systems         |
| OIG-12-002 | 10/21/2011  | Audit of the United States Mint's Schedule of Custodial Deep Storage Gold and Silver Reserves as of September 30, 2011, and 2010   |
| OIG-12-041 | 2/14/2012   | Safety and Soundness: Material Loss Review of First National Bank of Georgia   |
| OIG-12-047 | 3/26/2012   | Terrorist Financing/Money Laundering: FinCEN's BSA IT Modernization Program Is on Schedule and Within Cost, But Requires Continued Attention to Ensure Successful Completion |
| OIG-12-045 | 3/21/2012   | Safety and Soundness: Material Loss Review of Lydian Private Bank  |
| OIG-11-105 | 9/20/2011   | Safety and Soundness: Material Loss Review of First National Bank of Anthony   |
| OIG-12-004 | 11/9/2011   | Safety and Soundness: Failed Bank Review of The First National Bank of Florida   |

**Table 2. Reviewed Engagement Performed by the Office of Small Business Lending Fund Program Oversight**

| Report No.      | Report Date | Report Title   |
|-----------------|-------------|--|
| OIG-SBLF-12-002 | 2/17/2012   | SMALL BUSINESS LENDING FUND: Soundness of Investments Decisions Regarding Early-Entry Institutions into the SBLF Program |

**Table 3. Reviewed Monitoring Files of the Department of Treasury OIG for Contracted Engagements**

| <b>Report No.</b> | <b>Report Date</b> | <b>Report Title</b>   |
|-------------------|--------------------|---|
| OIG-11-097        | 9/12/2011          | Report on the Bureau of the Public Debt Administrative Resource Center's Description of its Financial Management Services and the Suitability of the Design and Operating Effectiveness of Its Controls for the Period July 1, 2010, to June 30, 2011 |
| OIG-12-010        | 11/15/2011         | Management Letter for the Audit of the Federal Financing Bank's Fiscal Years 2011 and 2010 Financial Statement  |
| OIG-12-008        | 11/10/2011         | Information Technology: The Department of the Treasury Federal Information Security Management Act Fiscal Year 2011 Audit   |
| OIG-12-024        | 12/8/2011          | Audit of the Financial Crimes Enforcement Network's Fiscal Years 2011 and 2010 Financial Statements   |



OFFICE OF  
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

August 15, 2012

Mr. Timothy Cox  
Assistant Inspector General for Audit  
Office of Inspector General  
U.S. Agency for International Development  
1300 Pennsylvania Avenue, NW  
Washington, DC 20523

Dear Mr. Cox:

Thank-you for the opportunity to review the draft Systems Review Report on the Department of the Treasury Inspector General's Office of Audit and Office of Small Business Lending Fund Program Oversight. We are pleased that your office assigned a peer review rating of pass to our quality control systems. We have no other comments to offer on the draft.

We recognize the challenges faced by your team in reviewing the quality control systems of two audit organizations as part of one external peer review. We truly appreciate the exceptional professionalism of your staff in their conduct of this important review.

Sincerely,

Marla A. Freedman /s/  
Assistant Inspector General for Audit

Debra S. Ritt /s/  
Special Deputy Inspector General for  
Small Business Lending Fund Program Oversight