



DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL

System Review Report

August 28, 2019

The Honorable Michael J. Missal
Inspector General
U.S. Department of Veterans Affairs
810 I Street, NW
Washington, DC 20001

Dear Mr. Missal:

We have reviewed the system of quality control for the audit organization of U.S. Department of Veterans Affairs Office of Inspector General (VA OIG) in effect for the year ended September 30, 2018. A system of quality control encompasses VA 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* (GAS). VA OIG is responsible for establishing and maintaining a system of quality control that is designed to provide VA 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 VA 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 VA OIG personnel and obtained an understanding of the VA OIG audit organization, and the design of VA OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audit and attestation engagements, collectively referred to as "audits," and administrative files to test for conformity with professional standards and compliance with VA OIG's system of quality control. The audits selected represented a reasonable cross-section of the VA OIG's audit organization, with emphasis on higher-risk audits. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with VA 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 VA OIG audit organization. In addition, we tested compliance with VA OIG's

quality control policies and procedures to the extent we considered appropriate. These tests covered the application of VA 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.

Enclosure 1 to this report identifies VA OIG offices that we visited and the audits that we reviewed. Enclosure 2 contains VA OIG's written response to this report.

In our opinion, the system of quality control for the audit organization of VA OIG in effect for the year ended September 30, 2018, has been suitably designed and complied with to provide VA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. VA OIG has received an External Peer Review rating of *pass*.

As is customary, we have issued a letter dated August 28, 2019, 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 VA OIG's monitoring of audits performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of audits 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 VA 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 VA OIG's monitoring of work performed by IPAs.

Sincerely,



Teri L. Donaldson
Inspector General

Enclosure 1: System Review Report

Scope and Methodology

We tested compliance with VA OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 11 of 20 audit reports issued during the period October 1, 2017 through September 30, 2018. We also reviewed the internal quality control reviews performed by VA OIG.

In addition, we reviewed VA OIG's monitoring of audits performed by IPAs where the IPA served as the auditor during the period October 1, 2017, through September 30, 2018. During the period, VA OIG contracted for the audit of its agency's fiscal year 2018 financial statements. VA OIG also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

We visited the VA OIG offices located in Washington, DC and Kansas City, MO. We also held meetings via teleconference or electronically with VA OIG offices located in Bedford, MA; Kansas City, MO; Seattle, WA; St. Petersburg, FL; Dallas, TX; Los Angeles, CA; and Crystal City, VA.

Reviewed Audits Performed by VA OIG:

Report Number	Report Date	Report Title
15-03364-380	December 6, 2017	Audit of Management of Primary Care Panels
16-00471-10	December 14, 2017	Audit of Alleged Beneficiary Travel Processing Irregularities at the VA Medical Center in Phoenix, Arizona
15-03036-47	December 21, 2017	Audit of the Timeliness and Accuracy of Choice Payments Processed Through the Fee Basis Claims System
15-01005-18	January 17, 2018	Audit of VHA's Use of Appropriations To Develop a System Enhancement and Mobile Health Applications
16-00409-64	March 6, 2018	Audit of Interior Design and Furnishing Contract Mismanagement by the Network Contracting Office 21
16-04655-70	March 14, 2018	Audit of the Timeliness of VISN 7 Power Wheelchair and Scooter Repairs
17-00753-78	March 26, 2018	Audit of the Personnel Suitability Program
18-00835-146	March 26, 2018	Independent Review of VA's FY 2017 Performance Summary Report to the Office of National Drug Control Policy
16-02247-165	June 27, 2018	VA Southern Nevada Healthcare System's Alleged Unnecessary Use of Outside Vendors to Purchase Prosthetics
16-01913-223	August 27, 2018	Use of Not Otherwise Classified Codes for Prosthetic Limb Components
18-00474-300	September 28, 2018	VA's Management of Land Use Under the West Los Angeles Leasing Act of 2016

Enclosure 1: System Review Report

Reviewed Monitoring Files of VA OIG for Contracted Audits:

Report Number	Report Date	Report Title
17-01219-24	November 15, 2017	Audit of VA's Financial Statements for Fiscal Years 2017 and 2016



DEPARTMENT OF VETERANS AFFAIRS
INSPECTOR GENERAL
WASHINGTON, DC 20420



August 22, 2019

The Honorable Teri L. Donaldson
Inspector General
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Ms. Donaldson:

Thank you for the opportunity to comment on the draft System Review Report dated August X, 2019 sent to us on August 15, 2019 that present the results of your office's External Peer Review of the Department of Veterans Affairs, Office of Inspector General, Office of Audits and Evaluations. We are pleased that your office issued a pass rating on our system of quality controls for the period October 1, 2017 through September 30, 2018. We are satisfied that your review determined the quality control function was appropriately designed and in compliance with the quality standards established by the Council of Inspectors General on Integrity and Efficiency.

We wish to express our appreciation for the professionalism and thoroughness your team demonstrated while conducting the review. If you have any questions, please call Mr. Larry Reinkemeyer, Assistant Inspector General for Audits and Evaluations at (202) 461-4725.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Missal".

MICHAEL J. MISSAL