



System Review Report

April 26, 2022

The Honorable Michael J. Missal
Inspector General
U.S. Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, D.C. 20240

Inspector General Missal:

We have reviewed the system of quality control for the U.S. Department of Veterans Affairs (VA) Office of Inspector General (OIG) audit organization, in effect for the year ended September 30, 2021. 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 in all material respects with *Government Auditing Standards* and applicable legal and regulatory requirements.¹ The elements of quality control are described in *Government Auditing Standards*.

In our opinion, the system of quality control for the audit organization of VA OIG in effect for the year ended September 30, 2021, has been suitably designed and complied with to provide VA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements 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*.

Monitoring of GAGAS Engagements Performed by Independent Public Accountants

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to VA OIG's monitoring of engagements conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor.

¹ 2018 Revision, Technical Update, April 2021.

Please note that the monitoring of GAGAS engagements performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our 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; accordingly, we do not express an opinion on VA OIG's monitoring of work performed by IPAs.

Basis of Opinion

Our review was conducted in accordance with *Government Auditing Standards* and the *CIGIE Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.

During our review, we interviewed VA OIG personnel and obtained an understanding of the nature 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 GAGAS engagements and administrative files to test for conformity with professional standards and compliance with VA OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of audits conducted by the VA OIG audit organization, with an emphasis on higher-risk engagements.

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 GAGAS 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.

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. The enclosure to this report provides a description of the work we performed, and a list of VA OIG engagements we reviewed.

Responsibilities and Limitation

VA OIG is responsible for establishing and maintaining a system of quality control designed to provide VA OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and VA OIG's compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may 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.

Sincerely,

Michael E. Horowitz
Inspector General
Department of Justice

Enclosures

Scope and Methodology

We tested compliance with the VA OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 9 of 25 engagement reports conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS engagement) issued from October 1, 2020, through September 30, 2021. We also reviewed the internal quality control reviews performed by VA OIG.

In addition, we reviewed VA OIG's monitoring of GAGAS engagements performed by Independent Public Accounting Firms (IPAs) where the IPA served as the auditor from October 1, 2020, through September 30, 2021. During this period, VA OIG contracted for the audit of its agency's financial statements for fiscal years 2019 and 2020. VA OIG also contracted for other GAGAS engagements that were performed in accordance with *Government Auditing Standards*.

We invited all VA OIG Office of Audits, Inspections, and Evaluation's personnel to complete a survey designed to determine the extent to which quality control policies and procedures were effectively communicated to staff and to obtain their views about several factors related to the agency's adherence to those policies and procedures. We also reviewed the training records of selected employees to determine whether they had obtained the required continuing professional education credits.

Due to the COVID-19 pandemic-related concerns, we did not conduct fieldwork at any of the VA OIG's offices; instead, our work was completed remotely. We do not believe this had any effect on our work and the results of our review.

Table 1: Reviewed GAGAS Engagements Performed by VA OIG

Report No.	Report Date	Report Title
19-09161-02	12/1/2020	Management and Oversight of the Electronic Wait List for Healthcare Services
20-00176-125	6/24/2021	Veterans Cemetery Grants Program Did Not Always Award Grants to Cemeteries Correctly and Hold States to Standards
20-00418-166	8/12/2021	Ineffective Governance of Prescription Drug Return Program Creates Risk of Diversion and Limits Value to VA
20-01802-234	9/23/2021	Better Oversight of Prosthetic Spending Needed to Reduce Unreasonable Prices Paid to Vendors

20-03178-116	5/25/2021	Deficiencies in Reporting Reliable Physical Infrastructure Cost Estimates for the Electronic Health Record Modernization Program
20-03407-253	9/29/2021	VA's Management of Land Use under the West Los Angeles Leasing Act of 2016: Five-Year Report
21-00612-189	9/13/2021	Independent Review of VA's Special Disabilities Capacity Report for Fiscal Year 2019

Source: DOJ OIG

Table 2: Reviewed Monitoring Files of VA OIG for Contracted GAGAS Engagements

Report No.	Report Date	Report Title
20-01408-19	11/24/2020	Audit of VA's Financial Statements for Fiscal Years 2020 and 2019
20-01927-104	4/29/2021	Federal Information Security Modernization Act Audit for Fiscal Year 2020 (IPA)

Source: DOJ OIG

DEPARTMENT OF VETERANS AFFAIRS OFFICE OF INSPECTOR GENERAL
RESPONSE TO THE DRAFT REPORT



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL
WASHINGTON, DC 20420



April 21, 2022

Jason Malmstrom
Assistant Inspector General for Audit
Office of the Inspector General
U.S. Department of Justice
950 Pennsylvania Avenue NW
Washington, D.C. 20530-0001

Dear Mr. Malmstrom:

Thank you for the opportunity to comment on the April 20, 2022, draft system review report that presents 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 year that ended September 30, 2021. We are satisfied 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 contact me at (202) 461-4725.

Sincerely,

A handwritten signature in black ink that reads "Larry M. Reinkemeyer".

Digitally signed by
Reinkemeyer, Larry (OIG)
Date: 2022.04.21 09:34:13
-05'00'

Larry Reinkemeyer
Assistant Inspector General for Audits and Evaluations