



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

AUG 27 2018

INSPECTOR GENERAL

Mr. John V. Kelly
Acting Inspector General
U.S. Department of Homeland Security
Office of Inspector General
245 Murray Lane, SW
Washington, D.C. 20528-0305

Subject: System Review Report of the U.S. Department of Homeland Security, Office of
Inspector General

Dear Mr. Kelly:

Enclosed is the System Review Report of the U.S. Department of Homeland Security, Office of Inspector General's audit organization. The audit was conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency's *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.

The draft System Review Report was dated June 13, 2018. Your original response to our draft report was dated July 13, 2018. We replaced your previous response to the draft report with your August 15, 2018, updated response included as Enclosure 3.

We appreciate the cooperation and courtesies extended to our staff during the review.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", is written over a printed name.

Arthur A. Elkins Jr.

Enclosures



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE INSPECTOR GENERAL

System Review Report

Mr. John V. Kelly
Acting Inspector General
U.S. Department of Homeland Security
Office of Inspector General
245 Murray Lane, SW
Washington, D.C. 20528-0305

Dear Mr. Kelly:

We reviewed the system of quality control for the audit organization of the U.S. Department of Homeland Security (DHS), Office of Inspector General (OIG) in effect for the fiscal year ended September 30, 2017. A system of quality control encompasses the DHS OIG's organizational structure, as well as policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. Elements of quality control are described in those standards.

The DHS OIG is responsible for establishing and maintaining a system of quality control designed to provide the DHS 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 the DHS OIG's compliance therewith, based on our review.

We conducted our review in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency's (CIGIE's) *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed DHS OIG personnel and obtained an understanding of the nature of the DHS OIG audit organization, and the design of the DHS OIG's system of quality control sufficient to assess risks implicit in its audit function.

Based on our assessments, we selected audits and administrative files to test for conformity with professional standards and compliance with the DHS OIG's system of quality control. The audits selected represented a reasonable cross section of the DHS OIG's audit organization, with an 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 DHS 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 DHS OIG's audit organization. In addition, we tested compliance with DHS OIG quality control policies and procedures to the extent we considered appropriate. These tests covered the application of DHS OIG policies and procedures on selected audits. Our review was based on selected tests; therefore, the review would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance.

There are inherent limitations in the effectiveness of any system of quality control; 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 the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with policies or procedures may deteriorate.

We noted the following deficiency during our review:

The DHS OIG needs to improve its system of quality control to provide reasonable assurance that audits are performed in compliance with generally accepted government auditing standards (GAGAS) and DHS OIG policies and procedures.

We also noted that one of the 13 performance audits reviewed during our peer review did not comply with GAGAS and DHS OIG policies and procedures. We determined that weaknesses in the DHS OIG's Office of Emergency Management Oversight (EMO) control structure did not assure compliance with GAGAS for sampled audit OIG-17-80-D. We identified issues with audit planning, assessment of evidence, supervision, indexing and reporting disclosures necessary for understanding the audit scope and methodology. As a result, the audit report may not present a complete assessment of the issues affecting the Federal Emergency Management Agency's (FEMA's) response to the 2016 Louisiana flood.

In July 2017, we completed our initial selection of DHS OIG reports to sample. One of the reports included in our initial selection was report OIG-17-80-D. Around the same time as our sample selection, on July 3, 2017, the DHS OIG initiated a review to determine whether report OIG-17-80-D complied with GAGAS. In addition, on July 19, 2017, the DHS OIG temporarily removed report OIG-17-80-D from its website. On December 4, 2017, the DHS OIG determined that report OIG-17-80-D did not comply with GAGAS and permanently removed the report from its website.

On March 8, 2018, the DHS OIG permanently removed seven additional reports issued during the period October 1, 2014, through September 30, 2017.¹ The reports were removed because the DHS OIG was concerned that other reports containing similar objectives and methodologies may not comply with GAGAS requirements and CIGIE's *Quality Standards for Inspection and Evaluation*. The seven reports also may not have adequately answered objectives and, in some cases, may have lacked sufficient and appropriate evidence to support conclusions. Enclosure 1 provides a detailed, technical discussion of the deficiency and our recommendation.

In our opinion, except for the deficiency described above, the system of quality control in effect for the DHS OIG's audit organization for the year ending September 30, 2017, has been suitably designed and complied with to provide the DHS OIG with reasonable assurance of performing and reporting in

¹ One (OIG-17-37-D) of the seven reports removed by DHS OIG was performed in accordance with *Quality Standards for Inspection and Evaluation*.

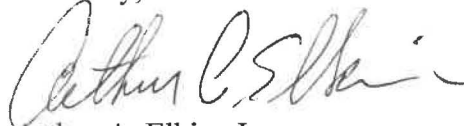
conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The DHS OIG has received an external peer review rating of *pass with deficiency*.

Enclosure 2 identifies DHS OIG offices that we visited and audits we reviewed. Our letter dated June 11, 2018, presented findings that were not considered to be of sufficient significance to affect our opinion expressed in this report. In addition to reviewing the DHS OIG's system of quality control to assure adherence with *Government Auditing Standards*, we also applied certain limited procedures in accordance with CIGIE guidance. The applicable CIGIE guidance involved DHS OIG monitoring engagements performed by Independent Public Accountants (IPAs) under contract, where the IPA served as the principal auditor.

Please note that the monitoring of engagements performed by IPAs is not an audit. The monitoring of IPA work is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether the DHS OIG has controls to ensure that the IPAs performed contracted work in accordance with professional standards. Our objective was not to express an opinion, and we do not express an opinion on the DHS OIG monitoring the work performed by IPAs.

Thank you again for the cooperation and courtesies extended to our staff during the review.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Elkins Jr.", written in a cursive style.

Arthur A. Elkins Jr.

Enclosures

Deficiency: DHS OIG Needs to Improve Its System of Quality Control to Provide Reasonable Assurance that Audits Performed Are in Compliance with GAGAS

We found that one of the 13 performance audits reviewed during our peer review did not comply with generally accepted government auditing standards (GAGAS) and the U.S. Department of Homeland Security (DHS), Office of Inspector General (OIG) policies and procedures.

The DHS OIG had determined that one of our sampled audits (OIG-17-80-D, titled *FEMA Response to the 2016 Catastrophic Flooding in Louisiana*) did not comply with GAGAS, after the report was selected for our review. The DHS OIG Emergency Management Oversight Team, which included staff from the DHS OIG's Office of Emergency Management Oversight (EMO), completed report OIG-17-80-D. Teams from this office focus on the Federal Emergency Management Agency's (FEMA's) initial response to disasters, including a review of the challenges, resource shortfalls, disaster-sourcing decisions, and coordination with state and local officials.²

The OIG 17-80-D report was an audit of FEMA's initial response to the August 2016 Louisiana flooding disaster. The audit's objectives were to determine whether FEMA's initial response to the Louisiana flooding was effective, and whether FEMA's actions, resources and authorities were consistent with federal regulations and FEMA guidelines in effect at the time of the disaster. The report released on June 22, 2017, concluded that FEMA's initial response and recovery efforts were generally effective and consistent with federal law and regulations. In that report, the DHS OIG asserted that the audit performed from August 2016 through March 2017, pursuant to the Inspector General Act of 1978 as amended, was conducted in accordance with GAGAS.

We determined that the Audit Director, Audit Manager and Auditor-In-Charge did not ensure that the audit team complied with multiple GAGAS and DHS OIG *Audit Manual* requirements. Our review of the audit identified clear noncompliance with GAGAS in areas involving audit planning, assessment of evidence, fieldwork and reporting (see "Summary of Noncompliance with GAGAS" section below).

The DHS OIG *Audit Manual*, Section 9.0, outlines the system of controls that the agency follows to ensure that audit offices and auditors comply with government auditing standards and other applicable professional standards and legal requirements. The DHS OIG *Audit Manual*, Section 9.2, lists agency quality controls governing supervision, management and independent referencer reviews (IRRs), and completing the supervisory review checklist and the IRR checklist.

The DHS OIG supervisory review checklist for report OIG 17-80-D includes certifications from the Audit Manager, Supervisory Auditor, and the Director. The supervisory review checklist confirms that the designated officials reviewed the audit documentation, draft and final reports, and determined that the work was completed in accordance with GAGAS. However, independent referencing, and resolution of any IRR comments, are also steps in the supervisory review checklist. These additional steps are required to be completed before the Audit Manager, Supervisory Auditor, and the Director certify a report; and in the case of report OIG 17-80-D, the designated officials signed the checklist

² On August 28, 2017, the DHS Inspector General announced that the Office of Audit and the Office of Emergency Management Oversight would be combined to create a single program office, effective October 1, 2017. Both offices are now under the Office of Audit control structure, which includes various requirements and guidance beyond what is required in the DHS OIG *Audit Manual*.

without the assignment complying with GAGAS. After completing our assessment of audit compliance with the CIGIE peer review checklist, we identified several GAGAS noncompliance issues.

Summary of Noncompliance with GAGAS While Reviewing the Audit Performed by EMO

- **Taken as a whole, does the audit documentation show professional judgment (that is, the exercise of reasonable care and professional skepticism) was used in planning and performing the audit and reporting the results (GAS, 3.60)?**

An assessment of audit risk and other GAGAS-required audit steps were not included in the planning guide. In addition, the planning guide did not include steps clearly defining how the guide would answer the portion of the audit objective regarding effectiveness.

- **Was work adequately planned and documented, as appropriate, to address the audit objectives, scope and methodology, and did the work include GAS, 6.06, 6.07 and 6.79?**

Based on EPA OIG review, the audit was not planned to adequately comply with GAGAS standards and the DHS OIG *Audit Manual*.

- **Did auditors design the methodology to obtain reasonable assurance that the evidence is sufficient and appropriate to support the auditors' findings and conclusions in relation to the audit objectives, and reduce audit risk to an acceptable level? (GAS, 6.10)**

The DHS OIG audit guide did not include specific planning steps to fully address the audit objective's effectiveness component or steps to reduce audit risk.

- **Did auditors gain an understanding of the nature and profile of the program and the needs of potential users of the audit report to assess audit risk and its significance within the context of the audit objectives? (GAS, 6.11a, 6.13)**

The auditors did not include steps to reduce audit risk by considering the needs of potential users of the audit report.

- **If information system controls were used extensively by the organization being audited and are significant to the audit objectives, did auditors i) obtain an understanding of these controls; ii) evaluate the controls' design and operating effectiveness; and iii) determine which procedures related to the controls are needed? (GAS, 6.11c, 6.16, 6.24 and 6.27)**

The audit team did not include steps in the audit plan to assess the controls of FEMA's information system. The audit team did not adequately assess evidence that was provided by FEMA and used to support FEMA's disaster response effectiveness. In addition, the DHS OIG EMO audit team did not verify the accuracy or reliability of FEMA's data because FEMA is the source of all disaster data.

- **When provisions of laws, regulations, contracts or grant agreements were significant within the context of the audit objectives, did auditors assess the risk of noncompliance and include procedures to obtain reasonable assurance of detecting instances of noncompliance with provisions of laws, regulations, contracts and grant agreements? (GAS, 6.11d, 6.28)**

There is no information in the Team Mate file showing that the DHS OIG EMO audit team gained an understanding of the elements used to assess audit risk, or included steps in the audit plan to assess the risk of noncompliance within the audit.

- **Did auditors identify criteria that are relevant to the audit objectives and permit consistent assessment of the subject matter? (GAS, 6.12a, 6.37)**

The audit team did not identify criteria to test the effectiveness of all sub-objectives. In many cases, there was limited or no criteria referenced to make conclusions.

- **Did auditors identify potential sources of information that could be used as evidence; determine the amount and type of evidence needed to obtain sufficient, appropriate evidence; and evaluate whether the lack of evidence and its subsequent impact on internal controls could be a basis for an audit finding? (GAS, 6.12b, 6.38, 6.39)**

The audit team did not identify the type of evidence needed to obtain sufficient and appropriate evidence, or evaluate whether a lack of evidence and impact on internal controls could be the basis of an audit finding. In addition, many of the indexes were not adequate to support the report's findings and conclusions.

- **Was staff properly supervised by audit supervisors or those designated to supervise? (GAS, 6.53)**

We identified a lack of proper supervision because of the inadequate planning guide and methodology, decisions not to provide recommendations that address the report's findings, and a lack of proper support for indexes.

- **Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions. (GAS, 6.56 and 6.57)**

The audit team did not adequately assess evidence used to support conclusions. Many indexes provided were not sufficient to support the report's findings and conclusions.

- **When auditors used or relied on information provided by the audited entity's officials as part of their evidence, did the auditors determine what the officials or other auditors had done to obtain assurance of the reliability of information provided? If necessary, did the auditors perform additional testing to obtain such assurance? (GAS, 6.65)**

The audit team did not adequately assess evidence to support FEMA disaster response effectiveness. The auditors also did not assess the sufficiency and appropriateness of computer-processed information, other than to confirm the data came from FEMA's database.

- **Did auditors develop the elements of a finding necessary to address the audit objectives, and when appropriate, recommendations for corrective action? (GAS, 6.73)**

The audit team did not develop the elements of a finding necessary to address the effectiveness component of the audit objective and did not make recommendations for corrective action.

- **When auditors did not comply with applicable GAGAS requirements, did they document the departure from GAGAS and the impact on the audit and on the auditors' conclusions, including (1) assessing the significance of the noncompliance to the audit objectives, along with their reasons for not following the requirement(s); and (2) determining the type of GAGAS compliance statement? (GAS, 2.25, 6.84)**

The audit team did not comply with applicable GAGAS requirements for this audit. The audit team omitted GAGAS-required steps from the DHS OIG audit guide, did not design the methodology to meet the effectiveness component of the audit objective, did not assess the reliability of computer data provided by FEMA staff, and did not review internal controls.

- **When using sampling, as applicable, did auditors explain the relationship between the population and the items tested; identify organizations, geographic locations, and the period covered; report the kinds and sources of evidence used; and explain any significant limitations or uncertainties based on the auditors' overall assessment of the sufficiency and appropriateness of the evidence in the aggregate? (GAS, 7.12)**

Sampling was used for site visits; however, no explanation or sampling methodology was provided in the report or in the workpapers to document how the representative sample was determined.

- **Did auditors report the methodology by explaining how the completed work supported the audit objectives in sufficient details to allow knowledgeable users of their reports to understand how the auditors addressed audit objectives, including evidence gathering and analysis techniques; significant assumptions made; comparative techniques applied; criteria used; and sampling results and methodology when used? (GAS, 7.13)**

The audit methodology was not properly designed to address the effectiveness component of the report objective.

- **With respect to reporting findings, did auditors present sufficient, appropriate evidence to support the findings and conclusions in relation to the audit objectives? (GAS, 7.08, 7.14)**

Many of the indexes provided were not adequate to support the report's findings and conclusions.

- **Did auditors follow the organization’s quality control policies and procedures for performance audits (e.g., using checklists, independent report referencing, etc.)? (GAS, 3.93a, 6.82)**

The audit team did not follow the organization’s quality control policies and procedures for performance audits.

Hearings held by the U.S. House of Representatives, Committee on Oversight and Government Reform, on September 9, 2016, and April 5, 2017, identified issues regarding the effectiveness of FEMA’s response to the 2016 Louisiana flooding disaster. In response to congressional concerns, the DHS Inspector General requested a review of report OIG-17-80-D on July 3, 2017. The DHS OIG’s Office of Integrity and Quality Oversight also initiated a review of the report on the same day. On July 19, 2017, the audit report was temporarily removed from the DHS OIG website, and on August 15, 2017, the appropriate officials on the original report distribution were notified.

After completing the internal quality assurance review of events surrounding the FEMA response to the 2016 catastrophic flooding in Louisiana (OIG 17-80-D), the DHS OIG permanently removed this report from its website on December 4, 2017, and the appropriate officials on the original report distribution were notified. Out of concern that other reports containing similar objectives and methodologies may not comply with GAGAS and CIGIE’s *Quality Standards for Inspection and Evaluation*, the DHS OIG also permanently removed seven additional reports issued from October 1, 2014, through September 30, 2017.³

The seven reports were removed because the DHS OIG was concerned the reports may not have adequately answered objectives and, in some cases, may have lacked sufficient and appropriate evidence to support conclusions since the reports had objectives and methodologies similar to those in report OIG-17-80-D. DHS OIG termination memorandums dated December 4, 2017 (report OIG-17-80-D), and March 8, 2018 (the seven additional reports), stressed there should be no reliance on those reports. Table 2 lists OIG-17-80-D and the other seven reports removed from the DHS OIG website.

The audit reports were removed because the DHS OIG’s quality control structure needs to improve. The quality control structure needs to better assist auditors and the audit organization in establishing policies and procedures to provide a reasonable assurance of compliance with GAGAS. Without the validation of corrective actions completed, and those still ongoing because of report OIG-17-80-D, it is unclear whether all actions taken will fully address the significant issues related to planning and referencing, which were identified by the peer review team as being important for the DHS OIG’s system of quality control.

The DHS OIG is implementing corrective actions to improve its quality controls. Since the July 3, 2017, internal quality review of OIG-17-80-D, the DHS OIG has worked diligently to address concerns identified by congressional stakeholders, and the DHS OIG’s Office of Integrity and Quality Oversight. The internal review was completed in December 2017, and the DHS OIG has implemented the following actions to improve its quality structure and adherence to government auditing standards:

- Undertaken immediate steps to pull flawed reports from the DHS OIG website.

³ Of the seven reports removed from the DHS OIG website, report OIG-17-37-D was performed in accordance with CIGIE’s *Quality Standards for Inspection and Evaluation*.

- Informed DHS OIG staff about concerns raised.
- Initiated audit evidence, audit objective, data reliability, independent review referencing, report writing, back-to-basics, recommendation, and follow-up trainings nationwide.
- Revised the DHS OIG's audit approach to be more responsive to risks identified for each disaster.
- Developed a lessons-learned report that draws on information learned from prior audits. The report helps to keep stakeholders informed about how prior concerns are being addressed.
- Advised teams to develop and issue management alert reports using CIGIE's *Quality Standards for Inspection and Evaluation*. These reports will help alert FEMA and congressional stakeholders about emerging risks within programs.
- Identified several areas for further review using CIGIE's *Quality Standards for Inspection and Evaluation*, and the *Government Auditing Standards* for audits.
- Cancelled and pulled DHS OIG assignments that used the same flawed audit program that raised issues in the OIG-17-80-D report.

Immediately after its internal quality review of OIG-17-80-D, the DHS OIG decided to change the focus of the EMO team to no longer be a separate unit. The DHS OIG's Office of Audit now oversees the EMO team. This restructuring was put into place to help identify areas of risk for future audits, and to proactively evaluate areas that FEMA needs to address to help prevent fraud, waste and abuse early in FEMA's response. The EMO was integrated into the Office of Audit on October 1, 2017. The DHS OIG has since updated their survey guides to include the following actions:

- Focus on FEMA as a whole; not just FEMA's regional responses.
- Start to deploy during the response phase of a disaster, and identify and alert FEMA and its stakeholders about potential issues or risks if FEMA does not adhere to guidelines and other federal requirements.
- No longer use *Government Auditing Standards* to conduct inspections and evaluations, but use CIGIE's *Quality Standards for Inspection and Evaluation*.
- Continue to observe and identify potential risk areas that will need to be addressed by future traditional audits, if necessary.

The DHS OIG concluded its second internal review of report OIG-17-80-D on November 21, 2017, and in a memorandum issued the same day to the Assistant Inspector General for Audit, the following weaknesses were identified from the report:

- Lack of internal controls.
- Lack of managerial direction for the audit.
- Staff lacked competence and technical expertise to manage and oversee work.
- Compressed timeframe was insufficient to address the broad audit scope and objective.
- Use of DHS OIG audit guide was insufficient for answering audit objectives.

If the DHS OIG had followed *Government Auditing Standards* for performance audits, which identify criteria for developing conditions, findings, etc., perhaps the reports would have identified the appropriate evidence to support the conclusions rendered and complied with GAGAS requirements for audit planning, fieldwork and reporting. We believe that the one report sampled during our peer review (OIG-17-80-D), and the additional seven audit reports pulled within the scope of our review, would not have required removal if the DHS OIG's system of quality control were designed to provide a

reasonable assurance of compliance with professional standards and legal and regulatory requirements. Our review resulted in a peer review rating of *pass with deficiency*.

In addition to report OIG-17-80-D, Table 1 also lists the other seven reports that the DHS OIG removed.

Table 1: List of Recalled Audits

Report No.	Date	Report Title
OIG-15-92-D	5/13/2015	<i>FEMA Provided an Effective Response to the Napa, California, Earthquake</i>
OIG-15-102-D	6/10/2015	<i>FEMA's Initial Response to the 2014 Mudslide near Oso, Washington</i>
OIG-15-105-D	6/17/2015	<i>FEMA's Initial Response to Severe Storms and Flooding in South Carolina</i>
OIG-16-53-D	3/21/2016	<i>FEMA's Initial Response to the Severe Storms and Flooding in South Carolina</i>
OIG-16-85-D	5/9/2016	<i>FEMA's Initial Response to the 2015 Texas Spring Severe Storms and Flooding</i>
OIG-16-106-D	6/27/2016	<i>FEMA Was Generally Effective in Its Initial Response to the Severe Wildfires in California</i>
OIG-17-37-D ⁴	2/7/2017	<i>FEMA's Initial Response to the Severe Storms and Flooding in West Virginia DR-4273</i>
OIG-17-80-D	6/22/2017	<i>FEMA's Initial Response to the 2016 Catastrophic Flooding in Louisiana</i>

⁴ This report was performed in accordance with CIGIE's *Quality Standards for Inspection and Evaluation*.

Recommendations and View of Responsible Official

We recommend that the DHS OIG take the following actions:

Recommendation 1—Identify the root cause for the departures identified from GAGAS in audit planning, assessment of evidence, supervision, indexing and reporting disclosures for the sampled Office of Emergency Management Oversight assignment, as well as the other seven terminated assignments.

View of Responsible Official—The DHS OIG concurred with Recommendation 1. The DHS OIG's Office of Quality and Integrity Oversight made a similar recommendation on September 22, 2017, following its review of report OIG-17-80-D. The DHS OIG is conducting an extensive review of the facts and circumstances surrounding report OIG-17-80-D and will implement corrective actions not already taken by September 30, 2018.

Recommendation 2—Update its policies and procedures as necessary to address the deficiencies.

View of Responsible Official—The DHS OIG concurred with Recommendation 2. Corrective actions that the Acting Assistant Inspector General for Emergency Management started to implement during the period of April through June 2017 addressed audit planning, evidence requirements, and report indexing and referencing. In addition, DHS OIG audit offices are currently updating the *Audit Manual* and will include revisions that address deficiencies identified in the root-cause analysis, if necessary, by December 31, 2018.

Recommendation 3—Verify that changes to the DHS OIG system of quality control, and the integration of the Office of Emergency Management Oversight into the Office of Audit, resolve deficiencies in the areas of audit planning, assessment of evidence, supervision, indexing and reporting disclosures.

View of Responsible Official—The DHS OIG concurred with Recommendation 3. The Office of Quality and Integrity Oversight will conduct periodic monitoring of work completed by DHS OIG audit offices to assess compliance with professional and organizational standards.

Recommendation 4—Schedule an off-cycle peer review with the Council of the Inspectors General on Integrity and Efficiency to verify that changes to the DHS OIG's system of quality control provides reasonable assurance of conformance with generally accepted government auditing standards.

View of Responsible Official—The DHS OIG concurred with Recommendation 4. The DHS OIG will coordinate an off-cycle peer review with the Council of the Inspectors General on Integrity and Efficiency. A planned completion date will be coordinated with the council.

Scope and Methodology

We tested compliance with the DHS OIG audit organization's system of quality control to the extent we considered appropriate. The tests included a review of 13 of 121 audit reports issued from October 1, 2016, through September 30, 2017 (Table 2). We also reviewed internal quality control reviews performed by the DHS OIG.

In addition, we reviewed the DHS OIG's monitoring of audits performed by IPAs, where the IPA served as the auditor during the period October 1, 2016, through September 30, 2017 (Table 3). During the period, the DHS OIG contracted for certain engagements that were to be performed in accordance with *Government Auditing Standards*.

We interviewed staff and visited multiple DHS OIG offices in Washington, D.C., including the Office of Audit, the Office of Emergency Management Oversight, the Office of Information Technology Audits, and the Office of Integrity and Quality Oversight. We also visited DHS OIG audit field offices in Denver, Colorado; Atlanta, Georgia; and Oakland, California.

We invited all DHS OIG staff within the Office of Audit, the Office of Emergency Management Oversight,⁵ the Office of Information Technology Audits, and the Office of Integrity and Quality Oversight to participate in a staff questionnaire designed to determine the extent to which the DHS OIG's quality control and assurance policies and procedures were effectively communicated to staff. We also obtained staff views on several factors related to the DHS OIG's adherence to its own policies and procedures. In addition, we reviewed the training records of selected employees to determine whether they had obtained the required continuing professional education credits. We determined that the training data we received from the DHS OIG and used in this report were sufficiently reliable given the audit objectives and intended use of the data.

⁵ Effective October 1, 2017, the DHS OIG merged its Office of Emergency Management Oversight into the Office of Audit.

Table 2: Reviewed 13 Audits and Attestation Engagements Performed by DHS OIG

Report No.	Report Title	Date Issued
OIG-17-02	<i>DHS Pandemic Planning Needs Better Oversight, Training and Execution</i>	10/12/2016
OIG-17-20-D	<i>FEMA Should Disallow \$577,959 of \$2.9 Million Awarded to Puerto Rico Aqueduct and Sewer Authority for Hurricane Irene Damages</i>	01/10/2017
OIG-17-25-D	<i>The Victor Valley Wastewater Reclamation Authority in Victorville, California, Did Not Properly Manage \$32 Million in FEMA Grant Funds</i>	01/24/2017
OIG-17-114	<i>CBP's IT Systems and Infrastructure Did Not Fully Support Border Security Operations</i>	09/28/2017
OIG-17-80-D	<i>FEMA's Initial Responses to the 2016 Catastrophic Flooding in Louisiana</i>	06/22/2017
OIG-16-119-D	<i>FEMA Improperly Awarded \$47.3 Million to the City of Louisville, Mississippi</i>	08/16/2016
OIG-17-01	<i>USSS Faces Challenges Protecting Sensitive Case Management Systems and Data</i>	10/07/2016
OIG-16-98	<i>FEMA's Grant Programs Directorate Did Not Effectively Manage Assistance to Firefighters Grant Program - SAFER Grants</i>	06/08/2016
OIG-17-59	<i>DHS's FY 2016 Compliance with the Improper Payments Elimination and Recovery Act of 2010 and Executive Order 13520, Reducing Improper Payments</i>	05/12/2017
OIG-17-60	<i>CBP Continues to Improve its Ethics and Integrity Training, but Further Improvements are Needed</i>	05/31/2017
OIG-17-06-D	<i>FEMA Should Recover \$1.8 Million of \$5.5 Million in Public Assistance Grant Funds Awarded to Columbia County, Florida, for Tropical Storm Debby Damages</i>	01/05/2017
OIG-17-66-D	<i>Milwaukie, Oregon, Has Adequate Policies, Procedures, and Business Practices to Manage its FEMA Grant Funding</i>	06/06/2017
OIG-17-113-D	<i>The Covington County Commission Needs Additional Assistance in Managing a \$5.4 Million FEMA Grant from Winter 2015 Storms and to Save Millions in the Future</i>	09/29/2017

Table 3: Reviewed DHS OIG Monitoring Reports of Audits Conducted by IPAs

Report No.	Report Title	Date Issued
OIG-17-36	<i>Independent Auditors' Report on U.S. Customs and Border Protection's Fiscal Year 2016 Consolidated Financial Statements</i>	02/06/2017
OIG-17-12	<i>Independent Auditors' Report on DHS FY 16 Financial Statements and Internal Control over Financial Reporting</i>	11/14/2016

DHS OIG Response



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov
August 15, 2018

The Honorable Arthur A. Elkins Jr.
Inspector General
U.S. Environmental Protection Agency
Washington, DC 20460

Dear Mr. Elkins:

Thank you for the opportunity to comment on your draft System Review Report on the Department of Homeland Security, Office of Inspector General audit external peer review. We note your conclusion that our system of quality control in effect for the fiscal year ending September 30, 2017, except for the deficiency identified, was suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. As a result, we received a peer review rating of *pass with deficiency*.

We agree with your conclusion and recommendations for improvement. We are firmly committed to maintaining an effective system of quality controls and work continuously to improve our operations. As such, we will continue to implement corrective actions to improve our system of quality control to provide reasonable assurance that audits are performed in compliance with generally accepted government auditing standards (GAGAS) and DHS OIG policy and procedures. Enclosed are your recommendations and the actions we have taken or are taking to improve our audit operations and system of quality controls. We are providing a separate response to your draft Letter of Comment. We concur with your recommendations and describe corrective actions taken and planned in response.

Should you have any questions, please call me or your staff may contact Thomas M. Salmon, Assistant Inspector General for Integrity and Quality Oversight, at (202) 981-6012 or thomas.salmon@oig.dhs.gov.

Sincerely,

A handwritten signature in blue ink that reads "John V. Kelly".

John V. Kelly
Senior Official Performing the
Duties of the Inspector General

Enclosure



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Enclosure

You made four recommendations in your draft System Review Report to improve our system of quality control and to provide a reasonable assurance audits are performed in compliance with GAGAS. Our September 2017 internal review made similar recommendations and, as such, we concur with the recommendations and will continue to implement the corrective actions. Listed below are your recommendations and the actions we have taken or are taking to improve our audit operations and system of quality controls.

You recommend that the DHS OIG take the following actions:

Recommendation 1: Identify the root cause for the departures identified from GAGAS in audit planning, assessment of evidence, supervision, indexing and reporting disclosures for the sampled EMO assignment, as well as the other seven terminated assignments.

DHS OIG Response: We concur with this recommendation. Our Office of Quality and Integrity Oversight made a similar recommendation on September 22, 2017 following its review of the OIG-17-80-D report. We are conducting an extensive review of the facts and circumstances surrounding the OIG-17-80-D report and will implement needed corrective actions not already taken. Planned completion date: September 30, 2018.

Recommendation 2: Update its policies and procedures as necessary to address the deficiencies.

DHS OIG Response: We concur with this recommendation. The Acting Assistant Inspector General for EMO began implementing corrective actions in the third quarter of fiscal year 2017 that addressed audit planning, evidence requirements, and report indexing and referencing. Additionally, our audit offices are currently updating our Audit Manual and will include revisions to address deficiencies identified from the root cause analysis, as necessary. Planned completion date: December 31, 2018.

Recommendation 3: Verify that changes to the DHS OIG system of quality control, and the integration of the EMO into the Office of Audit, resolves the deficiencies in the areas of audit planning, assessment of evidence, supervision, indexing and reporting disclosures.

DHS OIG Response: We concur with this recommendation. Our Office of Quality and Integrity Oversight conducts periodic monitoring of work



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completed by our audit offices to assess compliance with professional and organizational standards. Planned completion date: On-going requirement.

Recommendation 4: Schedule an off-cycle peer review with the Council of the Inspectors General on Integrity and Efficiency to verify that changes to the DHS OIG system of quality control provides reasonable assurance of conformance with GAGAS.

DHS OIG Response: We concur with this recommendation. We will coordinate a peer review with the Council of the Inspectors General on Integrity and Efficiency. Planned completion date will be coordinated with the Council of the Inspectors General on Integrity and Efficiency.