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System Review Report

June 10, 2015

The Honorable John Roth  
Inspector General  
U.S. Department of Homeland Security  
245 Murray Lane SW  
Washington, D.C. 20528

Dear Mr. Roth:

We have reviewed the system of quality control for the audit organizations of the U.S. Department of Homeland Security Office of Inspector General (DHS OIG) in effect for the year ended September 30, 2014. A system of quality control encompasses the DHS 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*. The DHS OIG is responsible for establishing and maintaining a system of quality control that is 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.

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*.<sup>1</sup> During our review, we interviewed DHS OIG personnel and obtained an understanding of the nature of the DHS OIG audit organizations, and the design of the DHS OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and attestation engagements, collectively referred to as "audits," and administrative files to test for conformity with

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<sup>1</sup> Updated September 2014.

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 audit organizations, with emphasis on higher-risk audits. Additionally, we assessed the adequacy of the actions taken by the DHS OIG considering certain allegations made against the former Acting Inspector General related to independence and conflict of interest issues.<sup>2</sup> All audit reports selected for our review were initiated during the tenure of the former Acting Inspector General; two of these reports were issued in final report form during his tenure. 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 audit organizations. In addition, we tested compliance with the DHS OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the DHS 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 DHS OIG offices that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organizations of the DHS OIG in effect for the year ended September 30, 2014, has been suitably designed and complied with to provide the DHS OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. In addition, in our judgment, the actions taken by the DHS OIG to disclose the potential independence impairments of the former Acting Inspector General were appropriate and in conformity with applicable standards. We also note that since the time of these

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<sup>2</sup> The Acting Inspector General resigned from his position on December 16, 2013.

allegations, the DHS OIG established the Office of Integrity and Quality Oversight, independent from its three audit divisions, to manage quality assurance and compliance with *Government Auditing Standards*.<sup>3</sup> 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*. As is customary, we have issued a letter dated June 10, 2015, 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 the DHS 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 the DHS 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 the DHS OIG's monitoring of work performed by IPAs.

Sincerely,



Michael E. Horowitz  
Inspector General

Enclosures

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<sup>3</sup> The DHS OIG is structured to include three audit divisions; the Office of Audits, the Office of Information Technology Audits, and the Office of Emergency Management Oversight.

## SCOPE AND METHODOLOGY

We tested compliance with the DHS OIG audit organizations' system of quality control to the extent we considered appropriate. These tests included a review of 13 of 140 audit reports issued during the period October 1, 2013, through September 30, 2014. We also reviewed the 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, 2013, through September 30, 2014. During the period, the DHS OIG contracted for the audit of its agency's fiscal year 2013 financial statements. The DHS OIG also contracted for certain other audits 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 DHS OIG's Office of Audits, Office of Emergency Management Oversight, Office of Information Technology Audits, and Office of Integrity and Quality Oversight. We also visited the DHS OIG field audit offices in Denver, Colorado; Atlanta, Georgia; and Dallas, Texas.

### Reviewed Engagements Performed by DHS OIG

Table 1 identifies the 12 audit reports issued by the DHS OIG, which were reviewed by the U.S. Department of Justice Office of the Inspector General.

**Table 1**  
**DHS OIG Audit and Attestation Reports**

| Report No.                     | Report Date | Report Title  |
|--------------------------------|-------------|---|
| <b>Office of Audit Reviews</b> |             |   |
| OIG-13-120                     | 03/26/2014  | Transportation Security Administration's Deployment and Use of Advanced Imaging Technology        |
| OIG-14-21                      | 12/17/2013  | DHS Home-to-Work Transportation   |
| OIG-14-33                      | 02/11/2014  | U.S. Immigration and Customs Enforcement's Worksite Enforcement Administrative Inspection Process |
| OIG-14-81                      | 04/24/2014  | Iowa's Management of Homeland Security Grant Program Awards for Fiscal Years 2010 Through 2012    |
| OIG-14-117                     | 07/24/2014  | U.S. Customs and Border Protection's Workload Staffing Model                                      |

| Report No.  | Report Date | Report Title  |
|---|-------------|---|
| <b>Office of Emergency Management Oversight Reviews</b> |             |   |
| OIG-14-12-D   | 12/05/2013  | FEMA Should Recover \$10.9 Million of Improper Contracting Costs from Grant Funds Awarded to Columbus Regional Hospital, Columbus, Indiana  |
| OIG-14-54-D   | 03/21/2014  | FEMA Should Recover \$3.7 Million in Unneeded Funds and Review the Eligibility of \$344,319 of \$5.84 Million in Public Assistance Grant Funds Awarded to the Borough of Beach Haven, New Jersey, for Hurricane Sandy Debris Removal Activities |
| OIG-14-91-D   | 05/06/2014  | FEMA Could Realize Millions in Savings by Strengthening Policies and Internal Controls Over Grant Funding for Permanently Relocated Damaged Facilities  |
| OIG-14-120-D  | 07/31/2014  | New York City's Department of Transportation Needs Assistance to Ensure Compliance with Federal Regulations   |
| OIG-14-124-D  | 08/07/2014  | FEMA Should Recover \$985,887 of Ineligible and Unneeded Public Assistance Grant Funds Awarded to Cobb County, Georgia, as a Result of Severe Storms and Flooding   |
| OIG-14-150-D  | 09/19/2014  | FEMA and the State of Louisiana Need to Accelerate the Funding of \$812 Million in Hazard Mitigation Grant Program Funds and Develop a Plan to Close Approved Projects  |
| <b>Office of Information Technology Audit Reviews</b>   |             |   |
| OIG-14-02   | 10/25/2013  | DHS' Efforts To Coordinate the Activities of Federal Cyber Operations Centers   |

### Reviewed Monitoring Files of DHS OIG for Contracted Engagements

Table 2 identifies the one audit performed by IPAs for which we reviewed the DHS OIG's monitoring activities.

**Table 2**  
**DHS OIG Monitoring Files for Contracted Audits**

| Report No.                    | Report Date | Report Title   |
|-------------------------------|-------------|--|
| <b>Office of Audit Review</b> |             |  |
| OIG-14-69                     | 04/21/2014  | United States Coast Guard's Management Letter for FY 2013 DHS Financial Statements Audit |



**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

MAY 28 2015

The Honorable Michael E. Horowitz  
Inspector General  
Department of Justice  
950 Pennsylvania Avenue, NW  
Suite 4712  
Washington, DC 20530

Dear Mr. Horowitz:

Thank you for the opportunity to comment on your draft System Review Report on the Department of Homeland Security Office of Inspector General audit offices external peer review. We note your conclusion that our system of quality control, in effect for the fiscal year ending September 30, 2014, was suitably designed and complied with to provide us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. We are pleased to receive a peer review rating of *pass*.

We are firmly committed to maintaining an effective system of quality controls and work continuously to improve our operations. We are providing a separate response to your draft Letter of Comment. We concur with your recommended enhancements and describe the corrective actions taken and planned in response.

Should you have any questions, please call me or your staff may contact John E. McCoy II, Assistant Inspector General for Integrity and Quality Oversight at (202) 254-4191.

Sincerely,

A handwritten signature in black ink, appearing to read "John Roth", is positioned above the typed name.

John Roth  
Inspector General