System Review Report

August 13, 2014

The Honorable Cathy L. Helm
Inspector General
Smithsonian Institution
Office of Inspector General
660 Maryland Ave, SW
Suite 695-E
Washington, D.C. 20024

Dear Ms. Helm:

We have reviewed the system of quality control for the audit organization of the Smithsonian Institution Office of Inspector General (SI-OIG) in effect for the year ended March 31, 2014. A system of quality control encompasses the SI-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 SI-OIG is responsible for designing a system of quality control and complying with it to provide SI-OIG with 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 system of quality control and SI-OIG’s compliance therewith 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 interviewed SI-OIG personnel and obtained an understanding of the nature of and SI-OIG’s audit organization, and the design of SI-OIG’s system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with SI-OIG’s system of quality control. The engagements selected represented a reasonable cross-section of SI-OIG’s audit organization. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with SI-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 SI-OIG’s audit organization. In addition, we tested compliance with SI-OIG’s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of SI-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 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 the office of SI-OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of the SI-OIG in effect for the year ended March 31, 2014, has been suitably designed and complied with to provide SI-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. The SI-OIG has received a peer review rating of pass.

As is customary, we have issued a letter dated August 13, 2014 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 SI-OIG’s monitoring of engagements performed by Independent Public Accountants (IPA) under contract where the IPA 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 the SI-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 SI-OIG’s monitoring of work performed by IPAs.
We made certain comments related to SI-OIG’s monitoring of engagements performed by IPAs that are included in the letter referenced on the previous page that is dated August 13, 2014.

Sincerely,

[Signature]

Martin J. Dickman
Inspector General

Enclosures
SCOPE AND METHODOLOGY (Enclosure 1)

Scope

We tested compliance with SI-OIG’s system of quality control to the extent we considered appropriate. These tests included a review of three of seven performance audit reports issued during the period April 1, 2013 through March 31, 2014, and semiannual reporting periods September 30, 2013 and March 31, 2014. The SI-OIG did not have any attestation reports during this period. We also reviewed the most recent internal quality control reviews performed by the SI-OIG.

In addition, we reviewed the SI-OIG’s monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period April 1, 2013 through March 31, 2014. During the period, the SI-OIG contracted for the audit of its agency Fiscal Year 2013 financial statements. The SI-OIG also contracted for certain other engagements that were to be performed in accordance with Government Auditing Standards.

Methodology

The CIGIE’s Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General (Guide), dated March 2009, updated November 2012, was used to conduct the review.

The RRB-OIG reviewed SI-OIG’s documents, interviewed management and staff, and completed the following checklists as provided for in the Guide:

- Policies and Procedures;
- Review of Adherence to General Standards;
- Review of Performance Audits Performed by the Office of Inspector General; and

We visited the SI-OIG’s Washington D.C. office.
Reviewed Engagements Performed by the Smithsonian Institution Office of Inspector General:

<table>
<thead>
<tr>
<th>Report No.</th>
<th>Report Date</th>
<th>Report Title</th>
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<tbody>
<tr>
<td>A-13-01</td>
<td>October 29, 2013</td>
<td>Weaknesses in the Smithsonian Tropical Research Institute's Financial Management Require Prompt Attention</td>
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<tr>
<td>A-13-04</td>
<td>March 31, 2014</td>
<td>Smithsonian Needs to Improve Preventative Controls for the Purchase Card Program</td>
</tr>
<tr>
<td>A-13-06</td>
<td>March 27, 2014</td>
<td>Smithsonian Needs to Update and Implement Vehicle-Related Policies and Procedures</td>
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Reviewed Monitoring Files of the Smithsonian Institution Office of Inspector General for Contracted Engagements:

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<th>Report No.</th>
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<th>Report Title</th>
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<tbody>
<tr>
<td>A-12-08</td>
<td>June 3, 2013</td>
<td>FY 2012 Independent Evaluation of the Smithsonian Information Security Program</td>
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Reviewed the Smithsonian Institution Office of Inspector General Quality Assurance Reviews:

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<th>Report No.</th>
<th>Report Date</th>
<th>Report Title</th>
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<tbody>
<tr>
<td>A-12-05</td>
<td>March 8, 2013</td>
<td>The Smithsonian Institution Should Improve Travel Related Policies and Procedures</td>
</tr>
<tr>
<td>A-12-03-01</td>
<td>June 3, 2013</td>
<td>The Smithsonian Should Streamline and Standardize Its Architect/Engineer Contract Modification Process</td>
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