



OFFICE of INSPECTOR GENERAL
NATIONAL RAILROAD PASSENGER CORPORATION

System Review Report

September 22, 2017

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 Office of Inspector General for the Smithsonian Institution (SI OIG) in effect for the year ended March 31, 2017. A system of quality control encompasses the SI OIG 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*. SI OIG is responsible for establishing and maintaining a system of quality control that is designed to provide SI 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 SI OIG's compliance therewith based on our review. Accordingly, we conducted our review in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Review of the Audit Organizations of Federal Offices of Inspector General*.

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

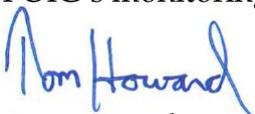
There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

The Enclosure of this report identifies the SI OIG audits we reviewed.

In our opinion, the system of quality control for the audit organization of SI OIG in effect for the year ended March 31, 2017, has been suitably designed and complied with *Government Auditing Standards* 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*. SI OIG has received a peer review rating of *pass*.

As is customary, we have issued a letter dated September 22, 2017 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 CIGIE related to SI OIG's monitoring of engagements performed by an Independent Public Accountant (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 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.



Tom Howard
Inspector General

Enclosure

SCOPE AND METHODOLOGY

We tested compliance with the SI OIG audit organization's system of quality control in accordance with applicable standards. These tests included a review of five of the nine audit and IPA monitoring reports issued from March 28, 2016, through March 31, 2017.¹ We also reviewed SI OIG's internal quality control reviews and annual quality assurance report. SI OIG did not perform any financial statement audits, attestation engagements, or nonaudit services in the three years prior to March 31, 2017.

We used CIGIE guidance² to conduct our review. We reviewed SI OIG's audit policies and procedures, continuing professional education and independence documents; interviewed management and staff; and completed checklists from CIGIE's guide.³

We visited SI OIG's headquarters in Washington, D.C. and reviewed documentation associated with the three audits and two IPA monitoring activities selected for testing. We also conducted six interviews with staff. We reviewed the following engagements:

- OIG-A-16-06, *Deferred Maintenance: The Smithsonian Generally Followed Leading Management Practices, but Reducing Its Backlog Remains a Challenge*, March 30, 2016
- OIG-A-16-09, *Travel Expenses of the Board of Regents for Fiscal Year 2015*, August 2, 2016
- OIG-A-16-10, *Acquisition Management: Oversight and Monitoring Would Improve Compliance with Policies for Sole-Source Purchases*, September 28, 2016
- OIG-A-16-11, *FY 2015 Independent Evaluation of the Smithsonian Institution's Information Security Program*, September 30, 2016
- OIG-A-17-02, *Independent Auditors' Report on the Smithsonian Institution's Fiscal Year 2016 Financial Statements*, January 27, 2017

¹ To ensure the reports we selected accurately reflected work SI OIG has done since its last peer review, we adjusted our scope to include all products issued since the last revision of SI OIG's Audit Manual and Quality Control System, which became effective on March 28, 2016.

² CIGIE, *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, September 2014.

³ We completed the following checklists: Appendix A—Policies and Procedures; Appendix B—Checklist for Review of Adherence to General Standards; Appendix E—Checklist for Review of Performance Audits Performed by the Office of Inspector General; and Appendix F—Checklist for Review of Monitoring of Audit Work Performed by an Independent Public Accounting Firm.