



U.S. Department of Justice

Office of the Inspector General

System Review Report

December 30, 2016

The Honorable Michael J. Missal
Inspector General
U.S. Department of Veterans Affairs
810 Vermont Street, NW
Washington, D.C. 20420

Dear Mr. Missal:

At the request of the Council of Inspectors General on Integrity and Efficiency, we have reviewed the system of quality control for the audit organization of the U.S. Department of Veterans Affairs Office of Inspector General (VA OIG) in effect for the year ended September 30, 2015. A system of quality control encompasses the VA 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 VA OIG is responsible for establishing and maintaining a system of quality control that is designed to provide the VA 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 VA 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*.¹ During our review, we interviewed VA OIG

¹ Updated September 2014.

personnel and obtained an understanding of the nature of the VA OIG audit organization and the design of the VA 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 professional standards and compliance with the VA OIG's system of quality control.² The audits selected represented a reasonable cross-section of the VA OIG audit organization, with 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 VA 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 VA OIG audit organization. In addition, we tested compliance with the VA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the VA 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.

In our opinion, the system of quality control for the audit organizations of the VA OIG in effect for the year ended September 30, 2015, has been suitably designed and complied with to provide the VA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The VA OIG has received an External Peer Review rating of *pass*. As is customary, we have issued a letter dated December 30, 2016 that sets forth

² Enclosure 1 to this report identifies the audits that we reviewed. Enclosure 2 to this report is the VA OIG response to our draft system review report.

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 VA OIG's monitoring of audits performed by Independent Public Accountants (IPA) 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 VA 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 VA OIG's monitoring of work performed by IPAs.

Sincerely,



Michael E. Horowitz
Inspector General

Enclosures

SCOPE AND METHODOLOGY

We tested compliance with the VA OIG audit organizations' system of quality control to the extent we considered appropriate. These tests included a review of 9 of 14 audit reports issued during the period October 1, 2014, through September 30, 2015. We also reviewed the internal quality control reviews performed by the VA OIG.

In addition, we reviewed the VA OIG's monitoring of audits performed by IPAs, where the IPA served as the auditor, during the period October 1, 2014, through September 30, 2015. During the period, the VA OIG contracted for the audit of its agency's fiscal year 2013 and 2014 financial statements. The VA OIG also contracted for certain other audits, specifically attestation engagements, which were to be performed in accordance with *Government Auditing Standards*.

We interviewed staff and visited the VA OIG's Office of Audits and Evaluations in Washington, D.C. We also interviewed staff from VA OIG field audit offices in Seattle, Washington; Los Angeles, California; Kansas City, Missouri; Chicago, Illinois; Bay Pines, Florida; and Bedford, Massachusetts.

Reviewed Engagements Performed by VA OIG

Tables 1 and 2 identify the 9 audit or attestation engagement reports issued by the VA OIG that were reviewed by the U.S. Department of Justice Office of the Inspector General.

Table 1
VA OIG Audit and Attestation Reports

Report No.	Date	Report Title
Office of Audit and Evaluations Reports		
13-000716-101	03/09/2015	Audit of the Veterans Health Administration's Home Telehealth Program
13-01859-42	12/03/2014	Audit of the Veterans Health Administration's National Call Center for Homeless Veterans
13-01530-137	03/02/2015	Audit of the Veterans Health Administration's Non-VA Medical Care Claims for Emergency Transportation
13-03917-487	08/25/2015	Audit of the Veterans Health Administration's Efforts To Improve Veterans' Access to Outpatient Psychiatrists
14-01883-371	06/01/2015	Audit of Fiduciary Program's Management of Field Examinations
15-00874-131	03/05/2015	Independent Review of the FY 2014 Detailed Accounting Submission to the Office of National Drug Policy
15-00876-129	03/05/2015	Independent Review of VA's FY 2014 Performance Summary Report to the Office of National Drug Policy

Source: VA OIG

Reviewed Monitoring Files of VA OIG for Contracted Engagements

Table 2 identifies the two audits performed by an IPA for which we reviewed the VA OIG's monitoring activities.

Table 2
VA OIG Monitoring Files for Contracted Audits

Report No.	Report Date	Report Title
Office of Audit Review		
14-01504-32	11/12/2014	Audit of Department of Veterans Affairs Financial Statements for Fiscal Years 2014 and 2013
14-01820-355	05/19/2015	Federal Information Security Management Act Audit for Fiscal Year 2014

Source: VA OIG

DEPARTMENT OF VETERANS AFFAIRS RESPONSE



DEPARTMENT OF VETERANS AFFAIRS
INSPECTOR GENERAL
WASHINGTON DC 20420

DEC 27 2016

The Honorable Michael E. Horowitz
Inspector General
U.S. Department of Justice
950 Pennsylvania Avenue, N.W.
Suite 4706
Washington, D.C. 20530-0001

Dear Mr. Horowitz:

Thank you for the opportunity to comment on the draft System Review Report dated December 21, 2016 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 control and concluded that for the period October 1, 2014 through September 30, 2015, 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. Based upon the feedback I received from my staff, they found the sharing of information and best practices with our team during the review most helpful. If you have any questions, please call Mr. Larry Reinkemeyer, Assistant Inspector General for Audits and Evaluations at (202) 461-4725.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Missal".

MICHAEL J. MISSAL