



National Science Foundation • Office of Inspector General
2415 Eisenhower Avenue, Alexandria, Virginia 22314

October 29, 2021

The Honorable Hannibal Ware
Inspector General
Office of Inspector General
Small Business Administration
409 3rd Street SW, 7th Floor
Washington, DC 20416

Subject: System Review Report on the Small Business Administration Office of Inspector General Audit Organization

Dear Mr. Ware:

Attached is the System Review Report of the Small Business Administration Office of Inspector General conducted in accordance with *Generally Accepted Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. Your response to the report is included as an enclosure.

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

Allison C. Lerner
Inspector General

Enclosures



National Science Foundation • Office of Inspector General
2415 Eisenhower Avenue, Alexandria, Virginia 22314

System Review Report

October 29, 2021

The Honorable Hannibal Ware, Inspector General
Small Business Administration

We have reviewed the system of quality control for the audit organization of the Small Business Administration Office of Inspector General (SBA OIG) in effect for the year ended March 31, 2021. A system of quality control encompasses SBA OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with *Generally Accepted Government Auditing Standards* (GAGAS) and applicable legal and regulatory requirements. The elements of quality control are described in GAGAS.

In our opinion, the system of quality control for the audit organization of SBA OIG in effect for the year ended March 31, 2021, has been suitably designed and complied with to provide SBA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. SBA OIG has received an External Peer Review rating of *pass*.

Monitoring of GAGAS Engagements Performed by Independent Public Accountants

In addition to reviewing its system of quality control to ensure adherence with GAGAS, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to SBA OIG's monitoring of engagements conducted in accordance with GAGAS by Independent Public Accountants (IPAs) under contract when an IPA served as the auditor. Please note that monitoring of GAGAS engagements performed by IPAs is not an audit and, therefore, is not subject to the requirements of GAGAS. The purpose of our limited procedures was to determine whether SBA OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on SBA OIG's monitoring of work performed by IPAs.

Letter of Comment

We have issued a letter dated October 29, 2021, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

Basis of Opinion

Our review was conducted in accordance with GAGAS and the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.

During our review, we interviewed SBA OIG personnel and obtained an understanding of the nature of the SBA OIG audit organization and the design of SBA OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with SBA OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of the SBA OIG audit organization, with an emphasis on higher-risk engagements.

In performing our review, we obtained an understanding of the system of quality control for the SBA OIG audit organization. In addition, we tested compliance with SBA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of SBA OIG's policies and procedures on selected GAGAS 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.

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with SBA OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies the engagements we reviewed.

Responsibilities and Limitation

SBA OIG is responsible for establishing and maintaining a system of quality control designed to provide SBA OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and SBA OIG's compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may 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.



Allison C. Lerner, Inspector General
Enclosures

Scope and Methodology

We tested compliance with SBA OIG's audit organization's system of quality control to the extent we considered appropriate. These tests included a review of three of five engagement reports conducted in accordance with GAGAS issued from October 1, 2019, through March 31, 2021. We also reviewed the internal quality control reviews performed by SBA OIG.

In addition, we reviewed SBA OIG's monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor from April 1, 2020, through March 31, 2021. During the period, SBA OIG contracted for the audit of its agency's fiscal year 2020 financial statements. Additionally, SBA OIG contracted for one other engagement to be performed in accordance with GAGAS.

We conducted this peer review virtually. We did not physically visit SBA OIG's offices.

Reviewed GAGAS Engagements Performed by SBA OIG

Report No.	Report Date	Report Title
20-08	03/18/2020	Audit of SBA's Community Advantage Pilot Program
20-09	03/24/2020	Audit of SBA's Cooperative Agreement with Arsenal Business & Technology Partnership's VBOC
20-20	09/30/2020	Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended

Reviewed Monitoring Files of SBA OIG for Contracted GAGAS Engagements

Report No.	Report Date	Report Title
21-04	12/18/2020	Independent Auditors' Report on SBA's FY 2020 Financial Statements



Office of Inspector General U.S. Small Business Administration

October 27, 2021

Allison C. Lerner
Inspector General
National Science Foundation
Office of Inspector General
4201 Wilson Boulevard
Arlington, VA 22230

Dear Ms. Lerner:

We have reviewed the formal draft of the System Review Report of the U.S. Small Business Administration Office of Inspector General audit organization conducted in accordance with *Generally Accepted Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.

We agree with your conclusions that our system of quality control is suitably designed and complied with to provide us with reasonable assurance of performing and reporting in conformity, in all material respects, with 1) applicable professional standards, and 2) applicable legal and regulatory requirements. We are pleased that your independent review of our audit operations resulted in a pass rating.

We appreciate the cooperation and courtesies extended to our staff by your team during the peer review. We remain committed to maintaining an effective system of quality controls and improving our operations. Should your staff have any questions, please contact Assistant Inspector General for Audit, Andrea Deadwyler, at andrea.deadwyler@sba.gov or (202) 205-6616.

Sincerely,

Hannibal "Mike" Ware
Inspector General
Small Business Administration