



Office of Inspector General
Washington, DC 20546-0001

September 27, 2012

The Honorable Peggy E. Gustafson
Inspector General
U.S. Small Business Administration
409 3rd Street, SW
Washington, D.C. 20416

Dear Inspector General Gustafson:

The NASA Office of Inspector General (OIG) has reviewed the internal quality control system for the U.S. Small Business Administration (SBA) OIG Auditing Division in effect for the period ending March 31, 2012. We used the standards described in the *Government Auditing Standards (GAS) July 2007 Revision*, which states that the SBA OIG is responsible for designing and complying with a system of quality control to provide reasonable assurance that it is performing and reporting in conformity with applicable professional standards in all material respects.

We also followed the guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) during our review. In accordance with the CIGIE guidelines, we interviewed SBA OIG personnel to gain an understanding of the SBA OIG audit organization and its system of quality control and to assess risks in its audit functions. Based on our assessments, we selected engagements and administrative files to test for compliance with SBA OIG's system of quality control and conformity with professional audit standards. (See the enclosure for a description of our scope and methodology, including the SBA OIG location visited and the engagements reviewed.) The engagements selected represented a reasonable cross-section of SBA OIG's audit organization, with emphasis on higher-risk projects. Before concluding the review, we reassessed the adequacy of our scope and subsequently we met with SBA OIG management to discuss the review results. We believe the procedures performed provide a reasonable basis for our opinion.

In our opinion, we found the system of quality control for SBA OIG's Auditing Division in effect for the period ended March 31, 2012, to be suitably designed and that the SBA OIG Auditing Division has sufficiently complied with this system so as to provide the organization with reasonable assurance that it is performing and reporting in conformity with applicable professional standards in all material respects. Therefore, the SBA OIG has received a peer review rating of PASS.

As is customary, we have issued a letter dated September 27, 2012, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report but that nonetheless requires attention by SBA OIG managers.

In addition to reviewing SBA OIG's system of quality control to ensure adherence with GAS, we conducted a limited review related to its monitoring of engagements performed by independent public accountants (IPAs) where the IPA served as the principal auditor in accordance with CIGIE guidance. While monitoring of engagements performed by IPAs is not an audit and therefore not subject to GAS requirements, we conducted these limited procedures to determine whether the SBA OIG had controls in place to ensure that IPAs performed contracted work in accordance with professional standards. Our objective was not to express an audit opinion and, accordingly, we do not express such an opinion. However, while performing these limited procedures we did not note any matters that require SBA OIG's attention.

We appreciate the cooperation and courtesies extended to our review team during the peer review. Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "PKMA". The letters are stylized and connected, with a large initial "P" and "K".

Paul K. Martin
Inspector General

Enclosure

SCOPE AND METHODOLOGY

Our compliance testing of the SBA OIG's system of quality control included a review of 5 of 21 audit and attestation GAS reports issued during the period of April 1, 2011, through March 31, 2012, and the September 30, 2011, and March 31, 2012, semiannual reporting periods.

The CIGIE guidance requires that we also review the most recently completed financial statement audit, which was performed by an IPA firm serving as the principal auditor. Therefore, we reviewed the SBA OIG monitoring procedures for the fiscal year (FY) 2011 financial statement audit completed during FY 2012. This resulted in six engagements selected for review. In addition, we reviewed the internal quality control review performed by SBA OIG during FY 2012.

SBA OIG Office Visited

We performed on-site reviews and assessed the SBA OIG audits completed at the following location:

U.S. Small Business Administration
Office of Inspector General
Auditing Division
409 3rd Street, SW
Washington, D.C. 20416

SBA OIG Reports Reviewed

Report Number	Date	Title
Attestation Audits		
12-09	March 1, 2012	Independent Review of the SBA's Accounting of FY 2011 Drug Control Funds and Performance Summary Report
12-13	March 30, 2012	Review of the SBA's Fiscal Year 2011 Cash Gifts
Performance Audits		
ROM 11-05	June 29, 2011	Material Deficiencies Identified in Four 7(A) Recovery Act Loans Resulted in \$3.2 Million of Questioned Costs
11-16	July 13, 2011	Banco Popular did not adequately assess Borrower Repayment Ability when Originating Huntington Learning Center Franchise Loans
12-08	February 23, 2012	SBA's Lender Loan Reporting Process has Systemic Reporting Issues and Data Control Weaknesses
Financial Statement Audit		
12-02	November 14, 2011	Independent Auditor's Report on the SBA's FY 2011 Financial Statements
Internal Quality Assurance Review		
	February 29, 2012	Advisory Memorandum Report on Quality Assurance Reviews of Audit Reports Issued in FY 2011