



Smithsonian Institution

Office of the Inspector General

System Review Report

December 10, 2015

Peggy E. Gustafson, Inspector General
Office of Inspector General
Small Business Administration
409 3rd Street, SW
Washington, DC 20416

Dear Ms. Gustafson:

We have reviewed the system of quality control for the audit organization of the Small Business Administration's Office of Inspector General (SBA OIG) in effect for the period of April 1, 2012, through March 31, 2015. 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 to *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. SBA OIG is responsible for establishing and maintaining a system of quality control that is designed to provide SBA 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 SBA 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*. 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 audits and administrative files to test for conformity with professional standards and compliance with SBA OIG's system of quality control. The audits selected represented a reasonable cross-section of SBA 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 SBA 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 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 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.

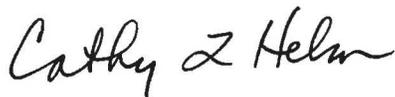
There are inherent limitations in the effectiveness of any system of quality control, and, therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of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

The enclosure to this report describes the scope and methodology of our review.

In our opinion, the system of quality control for the audit organization of SBA OIG in effect for the period of April 1, 2012, through March 31, 2015, has been suitably designed and complied with to provide SBA 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*. SBA OIG has received an External Peer Review rating of *pass*. As is customary, we have issued a letter dated December 10, 2015 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 SBA OIG's monitoring of audits performed by Independent Public Accountants (IPAs) 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 SBA 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 SBA OIG's monitoring of work performed by IPAs. We made certain comments related to SBA OIG's monitoring of audits performed by IPAs that are included in the above referenced letter dated December 10, 2015.

Sincerely yours,



Cathy L. Helm
Inspector General

Enclosures

Enclosure

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 14 audit reports issued during the period April 1, 2013, through March 31, 2015. We also reviewed the internal quality control reviews performed by SBA OIG.

In addition, we reviewed SBA OIG's monitoring of audits performed by IPAs where the IPA served as the auditor during the period April 1, 2014, through March 31, 2015. During the period, SBA OIG contracted for the audit of its agency's fiscal year 2014 financial statements. SBA OIG also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

We visited the SBA OIG office located in Washington, D.C.

Reviewed Audits Performed by SBA OIG:

Report Number	Report Date	Report Title
14-02 (AMIS-13002)	October 24, 2013	The SBA's FY 2012 Reported Improper Payment Rate for Disbursements and Contracting was Inaccurate and Incomplete
15-05 (AMIS-14806)	February 24, 2015	SBA's Evaluation of Principal's Repayment Ability for Hurricane Sandy Business Loans
15-06 (AMIS-14804)	March 12, 2015	Improvement is Needed in SBA's Oversight of Lender Service Providers

Reviewed Monitoring Files of SBA OIG for Contracted Audits:

Report Number	Report Date	Report Title
15-02 (AMIS-14002)	November 17, 2014	Independent Auditors' Report on the SBA's FY2014 Financial Statements