



**UNITED STATES**  
**NUCLEAR REGULATORY COMMISSION**  
WASHINGTON, D.C. 20555-0001

**OFFICE OF THE  
INSPECTOR GENERAL**

**System Review Report**

To: Mr. Steve A. Linick, Inspector General

We have reviewed the system of quality control for the audit organization of the Office of Inspector General (OIG) for the U.S. Department of State and the U.S. Agency for Global Media (State)<sup>1</sup> in effect for the year ended September 30, 2018. A system of quality control encompasses State OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*<sup>2</sup>. The elements of quality control are described in *Government Auditing Standards*. State OIG is responsible for establishing and maintaining a system of quality control that is designed to provide State 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 State 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*<sup>3</sup>. During our review, we interviewed State OIG personnel and obtained an understanding of the nature of the State OIG audit organization, and the design of the State OIG 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

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<sup>1</sup> The Broadcasting Board of Governors changed its name to the U.S. Agency for Global Media in August 2018.

<sup>2</sup> Government Auditing Standards were issued by the Comptroller General in December 2011.

<sup>3</sup> Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General (Updated 11/2014).

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

Enclosure 1 to this report identifies the State OIG office that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of State OIG in effect for the year ended September 30, 2018, has been suitably designed and complied with to provide State 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*. State OIG has received an External Peer Review rating of *pass*. We did not issue a letter of comment in conjunction with 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 State 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 State 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 State OIG's monitoring of work performed by IPAs.

A handwritten signature in dark ink, appearing to read "David C. Lee". The signature is written in a cursive style with a large initial "D".

David C. Lee, Acting Inspector General

Enclosures

## Scope and Methodology

We tested compliance with State OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 8 of 37 audit reports issued during the period October 1, 2017, through September 30, 2018. We also reviewed the internal quality control reviews performed by State OIG.

In addition, we reviewed State OIG's monitoring of audits performed by IPAs where the IPA served as the auditor during the period October 1, 2017, through September 30, 2018. During the period, State OIG contracted for the audit of the U.S. Department of State 2017 and 2016 Financial Statements and the Audit of the Broadcasting Board of Governors Implementation of the Digital Accountability and Transparency Act of 2014. State OIG also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

We performed this review at NRC (Nuclear Regulatory Commission) headquarters located in Rockville, Maryland, and the Department of State's OIG office, located in Arlington, Virginia.

### Department of State OIG's Performance Audits Reviewed

Report Number	Issued Date	Report Title
AUD-MERO-18-17	01/30/2018	Audit of Bureau of Overseas Buildings Operations' Oversight of New Construction Projects at the U.S. Embassy in Kabul, Afghanistan
AUD-CGI-18-50	08/13/2018	Audit of the Bureau of European and Eurasian Affairs Administration and Oversight of Selected Contracts and Grants
AUD-MERO-18-56	08/22/2018	Audit of Foreign Assistance for Internally Displaced Persons in Iraq
AUD-IT-18-57	09/07/2018	Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, Information Security Program ( <i>Report Classification: Sensitive But Unclassified</i> )
AUD-SI-18-59	09/25/2018	Audit of the Department of State's Administration of its Aviation Program

### Department of State OIG's Audits Performed by IPAs Reviewed

Report Number	Issued Date	Report Title
AUD-FM-18-05	11/15/2017	Independent Auditor's Report on the U.S. Department of State 2017 and 2016 Financial Statements
AUD-FM-IB-18-04	11/07/2017	Audit of the Broadcasting Board of Governors Implementation of the Digital Accountability and Transparency Act of 2014

### Department of State OIG's Attestation Engagements Reviewed

Report Number	Issued Date	Report Title
AUD-FM-18-25	3/13/2018	Independent Review of the U.S. Department of State Accounting of Fiscal Year 2017 Drug Control Funds and Related Performance Report



Office of Inspector General  
United States Department of State

February 4, 2019

Dr. Brett M. Baker  
Assistant Inspector General for Audits  
Office of the Inspector General  
U.S. Nuclear Regulatory Commission  
11555 Rockville Pike, Mailstop O5E13  
Rockville, MD 20852

Dear Dr. Baker:

Thank you for the opportunity to comment on the discussion draft System Review Report related to the external peer review of the U.S. Department of State and the U.S. Agency for Global Media, Office of Inspector General, Office of Audits. We appreciate your independent review of our office's system of quality control and concur with your conclusion that our system of quality control had been suitably designed and complied with applicable professional standards in all material respects.

Please express my appreciation to your staff for their time, dedication, and professionalism in *conducting this peer review*. If you have any questions, please contact Quality Assurance Manager Stephanie Hwang, Audit Operations, Quality, and Compliance Division, at [stephanie.a.hwang@stateoig.gov](mailto:stephanie.a.hwang@stateoig.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "Norman P. Brown". The signature is stylized and written in a cursive-like font.

Norman P. Brown  
Assistant Inspector General for Audits