



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

March 15, 2022

Diana R. Shaw
Senior Official Performing the Duties of the Inspector General
Department of State and U.S. Agency for Global Media

Subject: System Review Report on the Department of State Office of Inspector General Audit Organization

Dear Ms. Shaw:

Attached is the System Review Report of the Department of State Office of Inspector General conducted in accordance with *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 have incorporated your comments and revisions into the final report.

We thank you and your staff for your assistance and cooperation during the conduct of this review.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

Enclosure



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Office of the Special Inspector General
for Afghanistan Reconstruction

System Review Report

March 15, 2022

Diana R. Shaw
Senior Official Performing the Duties of the Inspector General
Department of State and U.S. Agency for Global Media

We have reviewed the system of quality control for the audit organization of the Department of State (State) Office of Inspector General (OIG) in effect for the year ended September 30, 2021. 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 in all material respects with *Government Auditing Standards* and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, the system of quality control for the audit organization of State OIG, in effect for the year ended September 30, 2021, has been suitably designed and complied with to provide State 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*. State 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 *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to State OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring GAGAS engagements 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; accordingly, we do not express an opinion on State OIG's monitoring of work performed by IPAs.

Letter of Comment

SIGAR is not issuing a letter of comment.

Basis of Opinion

Our review was conducted in accordance with *Government Auditing Standards* and the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.¹

¹ For our review we used *Government Auditing Standards*, 2018. However, for one performance audit that we reviewed, AUD-SI-21-13, we followed *Government Auditing Standards*, 2011 since this audit was started by State OIG in February 2019 and performed under the 2011 standards. *Government Auditing Standards*, 2018 went into effect for the federal OIG auditing community in July 2019.

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 State 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 State OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of the State 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 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 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 State 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

State OIG is responsible for establishing and maintaining a system of quality control designed to provide State 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 State 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.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

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Scope and Methodology

We tested compliance with the State OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 4 of 31 engagements reports conducted in accordance with generally accepted government auditing standards (GAGAS engagement) issued from October 1, 2020, through September 30, 2021. We also reviewed the internal quality control reviews performed by State OIG.

In addition, we reviewed State OIG's monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor from October 1, 2020, through September 30, 2021. During this period, State OIG contracted for the audit of its agency's fiscal years 2020 and 2019 financial statements. State OIG also contracted for other GAGAS engagements that were performed in accordance with *Government Auditing Standards*. Our tests included a review of 2 of 12 audits conducted by IPAs. The tables below identify the audit reports reviewed.

We performed this review remotely utilizing resources and documentation provided by State OIG.

Reviewed Performance Audits

Report Number	Report Date	Report Title
AUD-SI-21-13	1/25/2021	<i>Audit of the Department of State's Unarmored Overseas Motor Vehicle Fleet</i>
AUD-MERO-21-18	3/3/2021	<i>Audit of the Department of State's Risk Assessments and Monitoring of Voluntary Contributions to public International Organizations</i>
AUD-MERO-21-33	7/28/2021	<i>Audit of the Department of State Protocols for Establishing and Operating Remote Diplomatic Missions</i>
AUD-IT-21-34	8/06/2021	<i>Compliance Follow-Up Audit of the Department of State Process to Select and Approve IT Investments</i>

Reviewed Audits Performed by IPAs

Report Number	Report Date	Report Title
AUD-FM-21-01	10/1/2020	<i>Independent Accountant's Report on the Application of Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i>
AUD-FM-21-08	11/16/2020	<i>Independent Auditor's Report on the U.S. Department of State FY 2020 and FY 2019 Financial Statements</i>

Note: The reports we reviewed were conducted by the same team using the same audit documentation, but issued under a different report number. Thus our primary review of AUD-FM-21-08 provided assurance that AUD-FM-21-01 also met professional standards.



Office of Inspector General
United States Department of State

UNCLASSIFIED

March 9, 2022

Mr. Matthew D. Dove
Assistant Inspector General for
Audits and Inspections
Office of the Special Inspector General
for Afghanistan Reconstruction
1550 Crystal Drive, Suite 900
Arlington, VA 22202

Dear Mr. Dove:

Thank you for the opportunity to comment on the 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 has been suitably designed and complied with applicable professional standards in all material respects.

Please convey my appreciation to your staff for their time, dedication, and professionalism in conducting this peer review. If you have any questions, please contact Director Stephanie Hwang, Audit Operations, Quality, and Compliance Division, at Stephanie.A.Hwang@stateoig.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Norman P. Brown".

Norman P. Brown
Assistant Inspector General for Audits