



**UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL**

System Review Report

September 23, 2009

Donald A. Gambatesa
Inspector General
U.S. Agency for International Development

We have reviewed the system of quality control for the audit organization of the U.S. Agency for International Development, Office of Inspector General (USAID OIG) in effect for the year ended March 31, 2009. A system of quality control encompasses USAID OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. USAID OIG is responsible for designing a system of quality control and complying with it to provide USAID OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and USAID OIG's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed USAID OIG personnel and obtained an understanding of the nature of the USAID OIG audit organization and the design of the USAID OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the USAID OIG's system of quality control. The engagements selected represented a reasonable cross-section of the USAID OIG's audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with USAID 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 USAID OIG's audit organization. In addition, we tested compliance with the USAID OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the USAID OIG's policies and procedures on selected 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.

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.

Attachment 1 to this report identifies the divisions and regional offices of the USAID OIG included in our review and the engagements that we reviewed. Your office's response to the draft report is included as Attachment 2.

In our opinion, the system of quality control for the audit organization of USAID OIG in effect for the year ended March 31, 2009, has been suitably designed and complied with to provide USAID OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. USAID OIG has received a peer review rating of *pass*. As is customary, we have issued a letter dated September 23, 2009, 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 USAID OIG's monitoring of engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of 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 USAID 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 USAID OIG's monitoring of work performed by IPAs.

Mary Mitchelson /s/
Acting Inspector General

Enclosure

SCOPE AND METHODOLOGY

Scope and Methodology

We tested compliance with USAID OIG's system of quality control to the extent we considered appropriate. These tests included a review of 9 of 65 performance audit reports and the one financial audit report issued during the period April 1, 2008, through March 31, 2009, and semiannual reporting periods September 2008 and March 2009. We also reviewed the internal quality control review performed by USAID OIG. In addition, we reviewed USAID OIG's monitoring of the audit of the Millennium Challenge Corporation's Financial Statements, Internal Controls, and Compliance for the Period Ending September 30, 2008 and 2007, performed by Cotton & Company, LLP as the principal auditor.

We visited USAID OIG's office in Washington, D.C., and communicated with staff in the below listed offices.

Reviewed Audits Performed by USAID OIG			
Division/Region	Report No.	Report Date	Report Title
Cairo	6-263-09-004-P	3/30/09	Audit of USAID's Office of Middle East Programs
Dakar	7-ADF-08-007-P	9/17/09	Audit of the African Development Foundation/Ghana Project Activities
Manila	5-306-08-012-P	9/30/08	Audit of USAID/Afghanistan's Capacity Development Program
Pretoria	4-674-09-003-P	1/29/09	Audit of USAID/Southern Africa's Audit Management Program
San Salvador	1-512-09-005-P	1/22/09	Audit of USAID/Brazil's Environment Program
Financial Audits Division	0-000-09-001-C	11/14/08	Audit of USAID's Financial Statements for Fiscal Years 2008 and 2007
Information Technology & Special Audits Division	A-000-09-001-P	1/30/09	Audit of USAID's Level of Assurance Provided by Signatures in E2 Solutions Travel System
Performance Audit Division	9-000-09-0004-P	3/25/09	Audit of USAID's Management of Real Property
Millennium Challenge Corporation	M-000-09-001-P	12/24/08	Audit of the Millennium Challenge Corporation's Program in Honduras

Reviewed Monitoring Files for Contracted Audit		
Report No.	Report Date	Report Title
M-000-09-001-C	11/17/08	Audit of the Millennium Challenge Corporation's Financial Statements, Internal Controls, and Compliance for the Period Ending September 30, 2008 and 2007



Office of Inspector General

SEP 17 2009

Keith West
Assistant Inspector General for Audit
U.S. Department of Education
Office of Inspector General
400 Maryland Avenue, SW
Washington, D.C. 20202

Dear Mr. West:

We are pleased to respond to your Draft System of Quality Control Review Report for the U.S. Agency for International Development, Office of Inspector General, Office of Audit. We are pleased to have received a rating of *Pass* in the System of Quality Control Review Report. We appreciate the professional manner in which the review was conducted.

Sincerely,

Joseph Farinella /s/
Assistant Inspector General for Audit

Alvin Brown /s/
Assistant Inspector General for
Millennium Challenge Corporation