



**Smithsonian Institution**  
**Office of the Inspector General**

System Review Report

March 30, 2018

Allison C. Lerner, Inspector General  
Office of Inspector General  
National Science Foundation  
2415 Eisenhower Avenue  
Alexandria, VA 22314

Dear Ms. Lerner:

We have reviewed the system of quality control for the audit organization of the National Science Foundation's Office of Inspector General (NSF OIG) in effect for the year ended September 30, 2017. A system of quality control encompasses the NSF 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*. NSF OIG is responsible for establishing and maintaining a system of quality control that is designed to provide the NSF 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 the NSF 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 Review of the Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed NSF OIG personnel and obtained an understanding of the nature of the NSF OIG audit organization, and the design of NSF 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 NSF OIG's system of quality control. The audits selected represented a reasonable cross-section of the NSF OIG audit organization, with emphasis on higher-risk audits. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with NSF 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 NSF OIG audit organization. In addition, we tested compliance with NSF OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of NSF 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; 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 identifies the NSF OIG offices that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of NSF OIG in effect for the year ended September 30, 2017, has been suitably designed and complied with to provide NSF 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*. NSF OIG has received a peer review rating of *pass*.

As is customary, we have issued a letter dated March 30, 2018, 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 CIGIE related to NSF 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 NSF 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 NSF OIG's monitoring of work performed by IPAs. We made a comment related to NSF OIG's monitoring of audits performed by IPAs that is included in the above referenced letter dated March 30, 2018.

Sincerely yours,



Cathy L. Helm  
Inspector General  
Smithsonian Institution

Enclosures

## Scope and Methodology

We tested compliance with NSF OIG audit organization's system of quality control in accordance with applicable standards. These tests included a review of 4 of 14 performance audit and IPA monitoring reports issued during the period October 1, 2016 through September 30, 2017. We also reviewed NSF OIG's internal quality control reviews and annual quality assurance report. NSF OIG did not perform any financial statement audits, attestation engagements, or nonaudit services in the three years prior to September 30, 2017.

We used CIGIE guidance to conduct our review.<sup>1</sup> We reviewed NSF OIG's audit policies and procedures, continuing professional education, and independence documents; interviewed management and staff; and completed checklists from the CIGIE's guide.<sup>2</sup>

We visited NSF OIG's headquarters located in Alexandria, Virginia and reviewed documentation associated with the two audits and two IPA monitoring activities selected for testing. We also conducted five interviews with audit staff.

## Reviewed Audits Performed by NSF OIG

Report Number	Date Issued	Report Title
17-2-008	June 8, 2017	<i>NSF Controls to Mitigate IPA Conflicts of Interest</i>
17-2-009	July 6, 2017	<i>NSF Could Strengthen Key Controls over Electronic Records Management</i>

## Reviewed Monitoring Files of NSF OIG for Contracted Audits

Report Number	Date Issued	Report Title
17-2-001	January 17, 2017	Audit of the National Science Foundation's Fiscal Years 2016 and 2015 Financial Statements
17-1-003	March 20, 2017	Performance Audit of Incurred Costs – Purdue University

<sup>1</sup> CIGIE, *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, September 2014.

<sup>2</sup> We completed the following checklists: Appendix A—Policies and Procedures; Appendix B—Checklist for Review of Adherence to General Standards; Appendix E—Checklist for Review of Performance Audits Performed by the Office of Inspector General; and Appendix F—Checklist for Review of Monitoring of Audit Work Performed by an Independent Public Accounting Firm.



Enclosure

**National Science Foundation • Office of Inspector General**  
2415 Eisenhower Avenue, Alexandria, Virginia 22314

March 28, 2018

Cathy L. Helm  
Inspector General  
Smithsonian Institution  
MRC 524 P.O. Box 37012  
Washington, DC 20013-7012

Dear Ms. Helm:

Thank you for the opportunity to comment on the draft *System Review Report of the National Science Foundation's Office of Inspector General Audit Organization*. We acknowledge your conclusion that our office received a rating of pass, and have no comments on the report.

We appreciate the dedication and efforts of your staff during this peer review. If you have any questions regarding this letter, please contact Mark Bell, Assistant Inspector General for Audits, at 703-292-2985, or via e-mail at [mbell@nsf.gov](mailto:mbell@nsf.gov), or Karen Scott, Senior Advisor, at 703-292-7966, or via e-mail at [kscott@nsf.gov](mailto:kscott@nsf.gov).

Sincerely,

A handwritten signature in black ink that reads "Allison Lerner". The signature is written in a cursive, flowing style.

Allison Lerner  
Inspector General