



OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

System Review Report

March 31, 2023

Nicole Angarella, Acting Deputy Inspector General,
Performing the Duties of the Inspector General
U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523

Dear Ms. Angarella:

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 September 30, 2022. A system of quality control encompasses the USAID 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 the USAID OIG in effect for the year ended September 30, 2022, has been suitably designed and complied with to provide us 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*. The USAID 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 the USAID 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 of 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 the USAID 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 the USAID OIG's monitoring of work performed by IPAs.

Letter of Comment

We have issued a letter dated March 31, 2023, that sets forth a finding that was not considered to be of sufficient significance to affect our opinion expressed in this report.

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*.

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 GAGAS engagements and administrative files to test for conformity with professional standards and compliance with the USAID OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of the USAID 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 USAID OIG 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 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 USAID OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. The enclosure to this report identifies the USAID OIG engagements we reviewed.

Responsibilities and Limitations

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

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Lee Greenblatt', written in a cursive style.

Mark Lee Greenblatt
Inspector General
U.S. Department of the Interior

Enclosure

Scope and Methodology

We tested compliance with the U.S. Agency for International Development Office of Inspector General (USAID OIG) audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 9 of 28 audits conducted in accordance with generally accepted government auditing standards (GAGAS engagement) with reports issued from October 1, 2021, through September 30, 2022. We also reviewed the internal quality control reviews the USAID OIG performed, and reviewed one audit issued prior to October 1, 2021, that had been included in an internal quality control review.

Of the 10 audits we reviewed, 3 were USAID OIG audits that monitored the work that Independent Public Accountants performed under contract as the auditor during the period October 1, 2021, through September 30, 2022. During this period, the USAID OIG contracted for audits of its agency's financial statements and its agency's information security programs that were performed in accordance with *Government Auditing Standards*.

We performed this review remotely.

Figure 1. Reviewed GAGAS Engagements Performed by the USAID OIG

Report No.	Report Date	Report Title
9-598-21-001-P	11/30/2020	<i>USAID/El Salvador's Crime and Violence Prevention Programs Need to Focus More on High-Risk Individuals To Advance Security Goals</i>
M-000-22-001-P	11/08/2021	<i>MCC Economic Rate of Return: More Guidance Would Mitigate Risks That Could Lead to Uninformed Investment Decisions</i>
5-000-22-001-P	11/17/2021	<i>Improved Guidance and Processes Would Strengthen the Use of Third-Party Monitors in Bangladesh, Nepal, and Pakistan</i>
8-000-22-001-P	01/03/2022	<i>Water, Sanitation, and Hygiene (WASH) Programming: USAID Faced Challenges Providing Assistance to Countries With Greatest Need</i>
0-000-22-009-X	02/01/2022	<i>Review of USAID's Reporting on Its Drug Control Program Budget and Accounting for Fiscal Year 2021</i>
9-000-22-001-P	05/25/2022	<i>Strategic Workforce Planning: Challenges Impair USAID's Ability to Establish a Comprehensive Human Capital Approach</i>
4-936-22-002-P	09/14/2022	<i>PEPFAR in Africa: USAID Can Take Additional Steps to Improve Controls Over Data Quality</i>

Figure 2. Reviewed Monitoring Files of the USAID OIG for Contracted GAGAS Engagements

Report No.	Report Date	Report Title
0-000-22-005-C	11/12/2021	<i>Audit of USAID's Financial Statements For Fiscal Years 2021 and 2020</i>
A-MCC-22-004-C	12/02/2021	<i>MCC Implemented an Effective Information Security Program for Fiscal Year 2021 in Support of FISMA</i>
0-000-22-014-C	09/06/2022	<i>USAID's Travel Card Program Complied with the Government Charge Card Abuse Prevention Act in Fiscal Year 2021</i>