



SEP 25 2009

*Office of Inspector General*

## System Review Report

The Honorable Patrick E. McFarland  
Inspector General  
Office of Personnel Management  
1900 E. Street, NW, Room 6400  
Washington, DC 20415-1100

Dear Mr. McFarland:

We have reviewed the system of quality control for the Office of Personnel Management (OPM), Office of the Inspector General (OIG), in effect for the year ended March 31, 2009. A system of quality control encompasses OPM/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*. OPM/OIG is responsible for designing a system of quality control and complying with it to provide OPM/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 OPM/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 OPM/OIG personnel and obtained an understanding of the nature of OPM/OIG and the design of their system of quality control sufficient to assess the risks implicit in its audit function. On the basis of our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with OPM/OIG's system of quality control. The engagements selected represented a reasonable cross-section of OPM/OIG, 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 OPM/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 OPM/OIG. In addition, we tested compliance with OPM/OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of their 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.

Enclosed is a statement of scope and methodology that identifies the offices of OPM/OIG we visited and the engagements that we reviewed.

In our opinion, the system of quality control for OPM/OIG in effect for the year ended March 31, 2009, has been suitably designed and complied with to provide OPM/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*. OPM/OIG has received a peer review rating of *pass*.

As is customary, we have issued a letter dated September 25, 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 OPM/OIG's monitoring of engagements performed by an Independent Public Accountant (KPMG) under contract, in which KPMG served as the principal auditor. It should be noted that monitoring of engagements performed by KPMG 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 OPM/OIG had controls to ensure that KPMG 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 OPM/OIG's monitoring of work performed by KPMG.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald A. Gambatesa". The signature is fluid and cursive, written over the word "Sincerely,".

Donald A. Gambatesa  
Inspector General

Enclosure(s)

## SCOPE AND METHODOLOGY

### Scope and Methodology

We tested compliance with OPM/OIG's system of quality control to the extent we considered appropriate. These tests included a review of 10 of 80 audit reports issued during the period April 1, 2008, through March 31, 2009, and the semiannual reporting related to this period. We also reviewed the internal quality control reviews performed by OPM/OIG.

In addition, we reviewed OPM/OIG's monitoring of engagements performed by KPMG, in which they served as the principal auditor during the period April 1, 2008, through March 31, 2009. During that period, OPM/OIG issued two reports related to the KPMG audit of its agency's fiscal year 2008 financial statements.

We conducted our review at OPM headquarters and USAID headquarters, both in Washington, DC.

### Reviewed Engagements Performed by OPM/OIG

<u>Report No.</u>	<u>Report Title</u>	<u>Report Date</u>
3A-CF-00-08-038	Earth Share Federation	10/29/2008
1C-QA-00-08-027	Independent Health Association	9/29/2008
1C-FK-00-06-084	AmeriHealth HMO	6/16/2008
1C-6Y-00-06-039	Advantage Health Solutions, Inc.	6/3/2008
1A-10-83-08-018	BlueCross BlueShield (BCBS) of Oklahoma	1/9/2009
1A-10-11-08-001	Information System Control Review at BCBS of MA	5/28/2008
4A-OD-00-06-019	Audit of the Office of CFC Operations	8/29/2008
4A-M0-00-08-059	IT Review of Executive Schedule C System	9/8/2008

### Reviewed Monitoring Files of OPM/OIG Related to the Fiscal Year 2008 Financial Statement Audit

<u>Report No.</u>	<u>Report Title</u>	<u>Report Date</u>
4A-CF-00-08-025	OPM FY 2008 Consolidated Financial Statements	11/14/2008
4A-CF-00-08-026	OPM FY 2008 Special Purpose Financial Statements	11/17/2008