

System Review Report

March 15, 2013

Mr. Daniel R. Petrole
Deputy Inspector General
U.S. Department of Labor
200 Constitution Avenue, NW
Room S-5502
Washington, DC 20210

Dear Mr. Petrole

We have reviewed the system of quality control for the audit organization of Department of Labor (DOL) in effect for the year ended September 30, 2012. A system of quality control encompasses the DOL Office of Inspector General's (OIG) 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*. DOL OIG is responsible for designing a system of quality control and complying with it to provide 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 DOL 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 DOL OIG personnel and obtained an understanding of the nature of DOL OIG's audit organization, and the design of DOL 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 DOL OIG's system of quality control. The engagements selected represented a reasonable cross-section of DOL 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 DOL OIG management to discuss the results of our review. We believe 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 DOL OIG's audit organization. In addition, we tested compliance with DOL OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of DOL 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.

The first enclosure to this report identifies the DOL OIG offices we visited and the engagements we reviewed.

In our opinion, the system of quality control for DOL OIG's audit organization in effect for the year ended September 30, 2012, has been suitably designed and complied with to provide DOL 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*. DOL OIG has received a peer review rating of *pass*.

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 DOL 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 DOL 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 DOL OIG's monitoring of work performed by IPAs.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", with a horizontal line extending to the right.

Patrick P. O'Carroll, Jr.
Inspector General

Enclosures

SCOPE AND METHODOLOGY

We tested compliance with the Department of Labor Office of Inspector General (DOL OIG) audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 9 of 66 audit and attestation reports issued during the period October 1, 2011 through September 30, 2012, and semiannual reporting periods (March 2012 and September 2012). We also reviewed the internal quality control reviews performed by DOL OIG.

In addition, we reviewed DOL OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor. During the period, DOL OIG contracted for the audit of its agency's Fiscal Year 2011 financial statements. DOL OIG also contracted for certain other engagements to be performed in accordance with Government Auditing Standards.

We visited DOL OIG's Washington, DC office.

Reviewed Engagements Performed by DOL OIG

Audit Report No.	Report Date	Report Title
03-12-001-04-431	February 15, 2012	OWCP'S Efforts to Detect and Prevent FECA Improper Payments Have Not Addressed Known Weaknesses
04-12-001-03-315	September 28, 2012	ETA Did Not Use Compatible Data Which Overstated the Effectiveness of Its Overpayment Detections
06-12-001-03-321	September 28, 2012	Management of H-2B Program Needs to Be Strengthened to Ensure Adequate Protections for U.S. Workers
09-12-002-12-121	September 28, 2012	Changes Are Still Needed in the ERISA Audit Process to Increase Protections for Employee Benefit Plan Participants
17-12-005-11-001	September 28, 2012	BLS Needs to Strengthen Security of Pre-Release Economic Data in the BLS/State Labor Market Information Cooperative Programs
18-12-001-03-315	January 31, 2012	Recovery Act: ETA is Missing Opportunities to Detect and Collect Billions of Dollars in Overpayments Pertaining to Federally-Funded Emergency Benefits
23-12-007-07-001	September 27, 2012	Department's Information Technology Security Program is Weakened by Deficiencies
26-12-003-03-370	March 30, 2012	Management & Training Corporation Did Not Ensure Best Value In Awarding Sub-Contracts At The Clearfield Job Corps Center

Reviewed DOL OIG Monitoring of Contracted Engagements

Audit Report No.	Report Date	Report Title
22-12-002-13-001	November 15, 2011	Independent Auditors' Report on the U.S. Department of Labor's FY 2011 Consolidated Financial Statements

U.S. Department of Labor

Office of Inspector General
Washington, DC 20210



March 11, 2013

Mr. Steven L. Schaeffer
Assistant Inspector General
for Audit
6401 Security Boulevard
Baltimore, MD 21235-0001

Dear Mr. Schaeffer:

Thank you for the opportunity to comment on your draft System Review Report on the Department of Labor, Office of Inspector General Audit Organization. We agree with your conclusion that our system of quality control was suitably designed and provided us with reasonable assurance of performing and reporting audit results in conformity with applicable professional standards. We are pleased to receive a peer review rating of pass, and reiterate our commitment to maintaining an effective system of quality controls and to working continuously to improve our operations.

We appreciate the professional manner in which your staff conducted the review and particularly the open communications they maintained with us throughout the process. Should you have any questions, please call me at (202) 693-5170.

Sincerely,

A handwritten signature in blue ink that reads "Elliot P. Lewis". The signature is written in a cursive, flowing style.

Elliot P. Lewis
Assistant Inspector General
for Audit