



OFFICE OF INSPECTOR GENERAL

Federal Housing Finance Agency

400 7th Street SW, Washington, DC 20219

September 22, 2020

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

Subject: *System Review Report on the Smithsonian Institution Office of Inspector General Audit Organization*

Dear Ms. Helm:

Attached is the System Review Report of the Smithsonian Institution Office of Inspector General conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. Your response to the report is included as an enclosure.

We appreciate the cooperation and courtesies extended to our staff during the review.

Sincerely,

A handwritten signature in black ink, appearing to read "Laura S. Wertheimer".

Laura S. Wertheimer
Inspector General

Enclosure



OFFICE OF INSPECTOR GENERAL

Federal Housing Finance Agency

400 7th Street SW, Washington, DC 20219

System Review Report

September 22, 2020

Cathy L Helm, Inspector General
Smithsonian Institution

We have reviewed the system of quality control for the audit organization of the Smithsonian Institution Office of the Inspector General (Smithsonian OIG) in effect for the year ended March 31, 2020. A system of quality control encompasses Smithsonian 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 Smithsonian OIG in effect for the year ended March 31, 2020, has been suitably designed and complied with to provide Smithsonian OIG 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*. Smithsonian 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 Smithsonian OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS) 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 Smithsonian 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 Smithsonian OIG's monitoring of work performed by IPAs.

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 Smithsonian OIG personnel and obtained an understanding of the nature of the Smithsonian OIG audit organization, and the design of Smithsonian 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 Smithsonian OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of Smithsonian OIG's 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 Smithsonian OIG audit organization. In addition, we tested compliance with Smithsonian OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of Smithsonian 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 Smithsonian OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies Smithsonian OIG engagements we reviewed.

Responsibilities and Limitation

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

The Smithsonian Institution Inspector General's response to a draft of this report is provided as Enclosure 2.

Sincerely,



Laura S. Wertheimer
Inspector General

Enclosures

Scope and Methodology

We tested compliance with Smithsonian OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 4 of 10 engagements reports conducted in accordance with generally accepted government auditing standards (GAGAS engagement) issued from April 1, 2018, through March 31, 2020. We also reviewed the internal quality control reviews performed by Smithsonian OIG.

In addition, we reviewed Smithsonian OIG's monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor from April 1, 2019, through March 31, 2020. During the period, Smithsonian OIG contracted for the audit of its agency's fiscal year 2019 financial statements. Smithsonian OIG also contracted for other GAGAS engagements that were performed in accordance with *Government Auditing Standards*. Due to the COVID-19 pandemic, we performed this external peer review remotely.

Reviewed GAGAS Engagements Performed by Smithsonian OIG:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
OIG-A-18-09	9/30/2018	Personnel Security: Actions Needed to Strengthen the Background Investigation Process
OIG-A-19-06	7/12/2019	Information Security: The Smithsonian Needs to Enhance Protection of Sensitive Information
OIG-A-19-08	9/30/2019	Travel Expenses of the Board of Regents for Fiscal Years 2017 and 2018
OIG-A-20-01	10/22/2019	Contract Management: Smithsonian Needs to Enhance Controls for Managing and Monitoring Revenue Generating Contracts

Reviewed Monitoring Files of Smithsonian OIG for Contracted GAGAS Engagement:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
OIG-A-20-04	2/25/2020	Audit of Federal Awards Performed in Accordance with Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Smithsonian OIG's Response

**OFFICE OF THE
INSPECTOR GENERAL**



September 21, 2020

SENT BY EMAIL

Ms. Laura S. Wertheimer,
Inspector General
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

Dear Ms. Wertheimer:

We reviewed the external peer review report summarizing the results of your review of our system of quality control in effect for the year ending March 31, 2020. We are pleased that your independent review of our audit organization's operations resulted in a "pass" rating, thereby concluding that the Smithsonian Institution Office of the Inspector General's quality control system was suitably designed and operating effectively in ensuring the reliability of our audit reports. As a result, our office has reasonable assurance that its audits complied with professional standards in all material respects. We remain committed to maintaining an effective system of quality controls and improving our operations.

We greatly appreciate the professionalism and competent manner in which the review was conducted, and we wish to commend your team for its timely efforts on this important engagement, especially while doing so in a remote working environment.

Sincerely yours,

A handwritten signature in black ink that reads "Cathy L. Helm".

Cathy L. Helm
Inspector General
Smithsonian Institution

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