



System Review Report

December 29, 2015

Mr. Carl W. Hoecker, Inspector General
Securities and Exchange Commission

We have reviewed the system of quality control for the audit organization of Securities and Exchange Commission (SEC) Office of Inspector General (OIG) in effect for the year ended March 31, 2015. A system of quality control encompasses SEC OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*¹. The elements of quality control are described in *Government Auditing Standards*. SEC OIG is responsible for establishing and maintaining a system of quality control that is designed to provide SEC 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 SEC 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 Reviews of the Audit Organizations of Federal Offices of Inspector General*². During our review, we interviewed SEC OIG personnel and obtained an understanding of the nature of the SEC OIG audit organization, and the design of SEC 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 SEC OIG's system of quality control. The audits selected represented a reasonable cross-section of SEC OIG audit organization, with emphasis on higher-risk audits. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with SEC 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 SEC OIG audit organization. In addition, we tested compliance with SEC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of SEC OIG's policies and procedures on selected audits. Our review was based on

¹ GAS is issued by the Comptroller General, July 2011 Revision

² Dated September 2014

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.

Enclosure 1 to this report identifies the office that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of SEC OIG in effect for the year ended March 31, 2015, has been suitably designed and complied with to provide SEC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. SEC OIG has received an External Peer Review rating of *pass*.

As is customary, we have issued a letter dated December 29, 2015 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 SEC 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 SEC 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 SEC OIG's monitoring of work performed by IPAs. We made certain comments related to SEC OIG's monitoring of audits performed by IPAs that are included in the above referenced letter dated December 29, 2015.



James Springs
Inspector General

Enclosure

Scope and Methodology

We tested compliance with SEC OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of two of three audit reports issued during the period April 1, 2014, through March 31, 2015. We also reviewed the internal quality control reviews performed by SEC OIG.

In addition, we reviewed SEC OIG's monitoring of audits performed by IPAs where the IPA served as the auditor during the period April 1, 2014, through March 31, 2015. During the period, SEC OIG contracted for an audit that was to be performed in accordance with *Government Auditing Standards*.

We visited SEC OIG office located in Washington, DC.

Reviewed Audits Performed by SEC OIG

Report No.	Report Date	Report Title
524	9/22/2014	Controls Over the SEC's Inventory of Laptop Computers
527	12/10/2014	Audit of the Office of the Ethic's Counsel's Oversight of Employee Securities Holdings

Reviewed Monitoring Files of SEC OIG for Contracted Audit

Report No.	Report Date	Report Title
523	8/1/2014	Audit of the SEC's Physical Security Program

ENCLOSURE 2 - SEC OIG COMMENTS ON THE DRAFT REPORT



OFFICE OF
INSPECTOR GENERAL

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

December 18, 2015

James Springs
Inspector General
National Archives and Records Administration
8601 Adelphi Road
College Park, MD 20740-6001

Dear Mr. Springs:

Thank you for the opportunity to comment on the draft System Review Report, dated "December XX, 2015," on the U.S. Securities and Exchange Commission's Office of Inspector General's audit organization for the period ended March 31, 2015. We are pleased that your independent review of our audit operations resulted in a rating of *pass* and concluded that our system of quality control was suitably designed and complied with to provide reasonable assurance of conforming to professional standards in all material respects.

In the draft letter of comment, dated "December XX, 2015," which accompanied the System Review Report, you identified issues and made recommendations that are not considered to be of sufficient significance to affect our peer review rating. We have provided a separate response to your recommendations, including actions taken or planned and estimated completion dates for future actions.

We appreciate your efforts in conducting this review. Should you have questions, please contact me or Rebecca Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects, at (202) 551-6061.

Sincerely,

A handwritten signature in cursive script, appearing to read "Carl W. Hoecker".

Carl W. Hoecker
Inspector General