



DEPARTMENT OF HEALTH AND HUMAN SERVICES

**OFFICE OF INSPECTOR GENERAL**

WASHINGTON, DC 20201



September 15, 2022

Report Number: A-07-22-07004

The Honorable Larry D. Turner  
Inspector General  
Department of Labor  
200 Constitution Avenue, NW  
Room S-5502  
Washington, DC 20210

Dear Inspector General Turner:

Enclosed is the Department of Health and Human Services, Office of Inspector General, final *System Review Report: External Quality Control Review of the Audit Organization of the U.S. Department of Labor, Office of Inspector General*. We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency guidelines and discussed the review with your staff on July 18, 2022. Your response to the draft report is included as Appendix B.

If you have any questions or comments about this report, please do not hesitate to call me. Otherwise, your staff may contact Amy J. Frontz, Deputy Inspector General for Audit Services, at (202) 619-3155 or by email at [Amy.Frontz@oig.hhs.gov](mailto:Amy.Frontz@oig.hhs.gov).

Sincerely,

Christi A. Grimm  
Inspector General

Enclosure

**SYSTEM REVIEW REPORT: EXTERNAL QUALITY CONTROL REVIEW  
OF THE AUDIT ORGANIZATION OF THE  
U.S. DEPARTMENT OF LABOR,  
OFFICE OF INSPECTOR GENERAL**

We have reviewed the system of quality control for the audit organization of the U.S. Department of Labor (Labor), Office of Inspector General (OIG), in effect for the year ended September 30, 2021. A system of quality control encompasses Labor 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 Labor OIG in effect for the year ended September 30, 2021, has been suitably designed and complied with to provide Labor 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*. Labor OIG has received a 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 Labor 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 Labor 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 Labor 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 Labor OIG personnel and obtained an understanding of the nature of the Labor OIG audit organization and the design of Labor 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 Labor OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross section of Labor 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 Labor OIG audit organization. In addition, we tested compliance with Labor OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of Labor 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 Labor OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

### **Responsibilities and Limitations**

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

Appendix A identifies the audits that we reviewed as well as our scope and methodology. We issued our draft System Review Report to Labor OIG on August 19, 2022. Labor OIG's comments, acknowledging our assignment of a peer review rating of *Pass* to its system of quality control, appear in their entirety as Appendix B.

## APPENDIX A: SCOPE AND METHODOLOGY

We tested compliance with the Labor OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 5 of 17 engagement reports conducted in accordance with GAGAS issued from October 1, 2020, through September 30, 2021. We also reviewed a terminated GAGAS engagement and a report included in an internal quality control review performed by Labor OIG.

In addition, we reviewed Labor OIG's monitoring of one GAGAS engagement performed by an IPA where the IPA served as the auditor from October 1, 2020, through September 30, 2021. During the period, Labor OIG contracted for GAGAS engagements that were performed in accordance with *Government Auditing Standards*.

We interviewed staff members to determine whether Labor OIG's quality control and assurance policies and procedures were effectively communicated to staff. We also reviewed the training records of selected employees to determine whether they had obtained the required continuing professional education credits and whether they collectively possessed the knowledge and skills needed to conduct audits.

### REVIEWED GAGAS ENGAGEMENTS PERFORMED BY THE U.S. DEPARTMENT OF LABOR, OFFICE OF INSPECTOR GENERAL

1. *ETA Needs To Improve Its Disaster National Dislocated Worker Program*, Report No. 02-21-002-03-391, January 29, 2021.
2. *COVID-19: States Cite Vulnerabilities in Detecting Fraud While Complying with the CARES Act UI Program Self-Certification Requirement*, Report No. 19-21-001-03-315, October 21, 2020.
3. *COVID-19: The Pandemic Highlighted the Need To Strengthen Wage and Hour Division's Enforcement Controls*, Report No. 19-21-008-15-001, September 30, 2021.
4. *Longshore and Harbor Workers' Compensation Act Special Fund Financial Statements and Inspector General's Report September 30, 2019 and 2018*, Report No. 22-21-002-04-432, November 13, 2020.
5. *DEEOIC Could Do More To Prevent Improper Payments of Home Health Care Costs*, Report No. 03-21-001-04-437, September 16, 2021.

**REVIEWED GAGAS ENGAGEMENT TERMINATED BY THE U.S. DEPARTMENT OF LABOR,  
OFFICE OF INSPECTOR GENERAL**

*Termination of the Working Capital Fund Audit, Project No. 17-P16-003-50-598, January 13, 2021.*

**REVIEWED INTERNAL QUALITY CONTROL REVIEW PERFORMED BY THE U.S. DEPARTMENT  
OF LABOR, OFFICE OF INSPECTOR GENERAL**

*ETA Needs To Improve Its Disaster National Dislocated Worker Program, Report No. 02-21-002-03-391, January 29, 2021.*

**REVIEWED MONITORING FILES OF THE U.S. DEPARTMENT OF LABOR, OFFICE OF INSPECTOR  
GENERAL FOR CONTRACTED GAGAS ENGAGEMENTS**

*Report to the Office of Workers' Compensation Programs Service Auditors' Report on the Integrated Federal Employees' Compensation System and Service Auditors' Report on the Central Bill Processing System and Service Auditors' Report on the U.S. Department of Labor Workers' Compensation Medical Bill Processing System, Report No. 22-21-008-04-431, September 30, 2021.*

U.S. Department of Labor

Office of Inspector General  
Washington, D.C. 20210



August 23, 2022

*Christi*

The Honorable Christi A. Grimm  
Inspector General  
Department of Health and Human Services  
330 Independence Avenue, SW  
Washington DC 20201

Dear Inspector General Grimm:

Thank you for the opportunity to comment on the draft *System Review Report: External Quality Control Review of the Audit Organization of the U.S. Department of Labor, Office of Inspector General*. We are pleased that your review concluded the system of quality control for our audit organization was suitably designed and complied with applicable professional standards and applicable legal and regulatory requirements in all material respects.

We would like to thank you and your team for the thorough and professional review.

Sincerely,

*Larry D. Turner*

Larry D. Turner  
Inspector General