



System Review Report

March 30, 2018

Honorable Daniel R. Levinson
Inspector General
U.S. Department of Health and Human Services
330 Independence Avenue, S.W., Room 5250
Washington, DC 20201

Dear Mr. Levinson:

We have reviewed the system of quality control for the U.S. Department of Health and Human Services Office of Inspector General (HHS OIG) in effect for the 3-year period ending September 30, 2017. A system of quality control encompasses the HHS OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Generally Accepted Government Auditing Standards* (GAGAS).¹ The elements of quality control are described in GAGAS. The HHS OIG is responsible for establishing and maintaining a system of quality control that is designed to provide the HHS 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 the HHS OIG's compliance therewith based on our review.

We conducted our review in accordance with GAGAS 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 HHS OIG personnel and obtained an understanding of the nature of the HHS OIG audit organization, as well as the design of the HHS OIG's system of quality control to a degree sufficient to assess the risks implicit in its audit function. Based on our assessment, we selected audits and attestation engagements, collectively referred to as "audits," and administrative files to test for conformity with professional standards and compliance with the HHS OIG's system of quality control. The audits selected represented a reasonable cross-section of the HHS OIG's audit organization, with emphasis on higher-risk audits.

¹ GAO-12-331G, dated December 2011.

² CIGIE *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices* dated September 2014.

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with HHS OIG management to discuss the results of our review. We believe the procedures we performed provide a reasonable basis for our opinion.

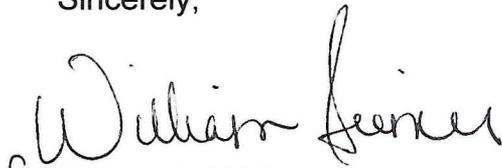
In performing our review, we obtained an understanding of the system of quality control for the HHS OIG audit organization. In addition, we tested compliance with the HHS OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered application of the HHS OIG's policies and procedures on selected audits. We based our review on selected tests; therefore, we 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, 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 identifies HHS OIG offices that we visited and the audits that we reviewed.

Federal audit organizations may receive a rating of "pass", "pass with deficiencies", or "fail." As is customary, we have issued a letter of comment, dated March 30, 2018, setting forth a matter that was not considered to be of sufficient significance to affect our opinion expressed in this report. In our opinion, the system of quality control for the HHS OIG audit organization in effect for the year ended September 30, 2017, has been suitably designed and complied with to provide HHS OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Therefore, the HHS OIG has received a peer review rating of pass.

Sincerely,


for Tammy L. Whitcomb
Acting Inspector General

Enclosures

SCOPE AND METHODOLOGY

We tested compliance with the HHS OIG's system of quality control to the extent we considered appropriate. These tests included a review of 11 of 196 audit reports issued from October 1, 2016 through September 30, 2017. These reviews included eight performance audits, two contract audits performed by Independent Public Accounting (IPA) firms, and one attestation. We also reviewed one internal quality control project.

We reviewed the HHS OIG's monitoring of contracted work performed by IPAs for which an IPA served as the principal auditor during the period October 1, 2016, through September 30, 2017. During this period, the HHS OIG contracted for the audit of its agency's fiscal year 2017 financial statements and oversaw 10 other engagements that were to be performed in accordance with GAGAS.

We performed our review between October 2017 and March 2018. We visited HHS OIG's headquarters office in Washington DC.

HHS OIG Audits Selected for Review

	AUDIT NUMBER	AUDIT TITLE	REPORT ISSUED
1	A-03-17-00355	CDC Attestation FY 2016	1/11/2017
2	A-06-16-05003	Rollup of Results from Hospital Outpatient Dental Services Paid to Providers	3/1/2017
3	A-05-15-00022	Indiana Did Not Always Make Correct Medicaid Claim Adjustments	10/31/2016
4	A-04-15-00106	Compliance Review of Selected Medicare Claims at North Mississippi Medical Center for Calendar Years 2013 and 2014	12/19/2016
5	A-01-15-00511	Medicare Paid New England Providers Twice for Nonphysician Outpatient Services Provided Shortly Before or During Inpatient Stays	6/28/2017
6	A-07-17-00503	Palmetto Government Benefits Administrator, LLC, Understated Its Medicare Segment Pension Assets	7/6/2017
7	A-02-15-02005	New Jersey Claimed Some Unallowable Costs Under A Hurricane Sandy Disaster Relief Act Grant	2/14/2017
8	A-05-16-04002	University of Wisconsin - Audit of Costs Claimed Under the Office of Naval Research Contract Number W911NF-10-1-0347	12/29/2016
9	A-18-16-30900	IT Audit - OS Penetration Test	7/27/2017

Reviewed Monitoring Files of Contracted Audits Performed by IPAs

	AUDIT NUMBER	AUDIT TITLE	REPORT ISSUED
10	A-18-16-30350	Review of the Department of Health and Human Services' Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2016	2/13/2017
11	A-17-16-00001	FY 2016 HHS Consolidated Financial Statement Audit	11/14/2016

Quality Assurance Project Selected for Review

	AUDIT NUMBER	AUDIT TITLE	REPORT ISSUED
12	A-11-16-00600	FY 2016 Internal Quality Control Review	5/10/2016