



Office of Inspector General

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System Review Report

February 4, 2013

William DeSarno
Inspector General
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Mr. DeSarno,

We have reviewed the system of quality control for the audit organization of National Credit Union Administration (NCUA), Office of Inspector General (OIG) in effect for the year ended December 31, 2012. A system of quality control encompasses NCUA OIG's 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*. NCUA OIG is responsible for designing a system of quality control and complying with it to provide NCUA OIG with 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 NCUA 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 NCUA OIG personnel and obtained an understanding of the nature of the NCUA OIG audit organization, and the design of the NCUA 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 the NCUA OIG's system of quality control. The engagements selected represented a reasonable cross-section of the NCUA 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 NCUA OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

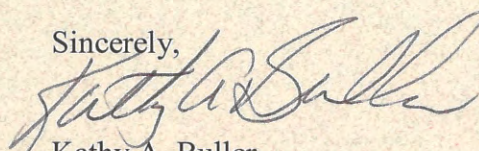
In performing our review, we obtained an understanding of the system of quality control for the NCUA OIG's audit organization. In addition, we tested compliance with the NCUA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the NCUA OIG's policies and procedures on selected engagements. Enclosure 1 to this report identifies the offices of the NCUA OIG that we visited and the engagements that we reviewed. 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.

In our opinion, the system of quality control for the audit organization of NCUA OIG in effect for the year ended December 31, 2012, has been suitably designed and complied with to provide NCUA 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*. NCUA 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 the CIGIE related to NCUA 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 NCUA 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 NCUA OIG's monitoring of work performed by IPAs.

Sincerely,



Kathy A. Buller
Inspector General

Enclosure

SCOPE AND METHODOLOGY (Enclosure)

Scope and Methodology

We tested compliance with the NCUA OIG's system of quality control to the extent we considered appropriate. These tests included a review of two of four audit reports issued during the period February 16, 2012 through November 19, 2012, and semiannual reporting periods October 1, 2011 through March 31, 2012. We also reviewed the internal quality control reviews performed by NCUA OIG.

In addition, we reviewed two of seven of the NCUA OIG's monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period February 16, 2012 through November 19, 2012. During the period, NCUA OIG contracted for the audit of its agency's Fiscal Year 2011 financial statements. NCUA OIG also contracted for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

We visited the Alexandria, VA office of NCUA OIG, January 7-10, 2013.

Reviewed Engagements Performed by NCUA OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
OIG-12-09	06/27/2012	Review of NCUA's Policies, Procedures and Practices Regarding Financial Stability Oversight Council Information
OIG-12-10	8/13/2012	Review of NCUA's Examination and Compliant Processes for Small Credit Unions.

Reviewed Monitoring Files of NCUA OIG for Contracted Engagements

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
OIG-12-01,02,03,04	02/16/012	FY 2011 Financial Statement Audits (OF, CLF, CDRLF, SIF)
OIG-12-05	02/29/2012	Material Loss Review of Vensure Federal Credit Union
OIG-12-06	03/19/2012	Audit of NCUA's Asset Management Assistance Center