



OFFICE OF  
INSPECTOR GENERAL

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

January 31, 2019

Mr. Robert A. Westbrooks  
Inspector General  
Pension Benefit Guaranty Corporation  
Office of Inspector General  
1200 K Street NW, Suite 480  
Washington, D.C. 20005

Dear Mr. Westbrooks,

Attached is the System Review Report for the external peer review of the Pension Benefit Guaranty Corporation Office of Inspector General audit organization, conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. On December 18, 2018, we provided you with a draft of the report for your review and comment. In your response, dated January 2, 2019, you provided no comments on the System Review Report. We have included your response as Enclosure 2 in the final System Review Report.

We appreciate the cooperation and courtesies extended to us during the review. If you have any questions, please contact me or Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects.

Sincerely,

Carl W. Hoecker  
Inspector General

Attachment

cc: Brooke Holmes, Assistant Inspector General for Audit, Pension Benefit Guaranty Corporation



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

**SYSTEM REVIEW REPORT**

January 31, 2019

Mr. Robert A. Westbrooks  
Inspector General  
Pension Benefit Guaranty Corporation  
Office of Inspector General  
1200 K Street NW, Suite 480  
Washington, D.C. 20005

Dear Mr. Westbrooks,

We have reviewed the system of quality control for the audit organization of the Pension Benefit Guaranty Corporation (PBGC) Office of Inspector General (OIG) in effect for the year ended September 30, 2018. A system of quality control encompasses PBGC OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming to *Government Auditing Standards (GAS)*.<sup>1</sup> GAS describes the elements of quality control. PBGC OIG is responsible for establishing and maintaining a system of quality control designed to provide it 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 PBGC OIG's compliance with that system based on our review.

We conducted our review in accordance with GAS and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.<sup>2</sup> During our review, we interviewed PBGC OIG personnel and obtained an understanding of the nature of PBGC OIG's audit organization and the design of PBGC OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected two of five issued audits and administrative files to test for conformity with professional standards and compliance with PBGC OIG's system of quality control. The audits selected represented a reasonable cross-section of PBGC OIG's audit organization. The enclosure identifies the PBGC OIG office we visited and the audits we reviewed.

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

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<sup>1</sup> U.S. Government Accountability Office, *Government Auditing Standards* (GAO-12-331G, December 2011).

<sup>2</sup> September 2014.

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

In our opinion, the system of quality control for the audit organization of the PBGC OIG in effect for the year ended September 30, 2018, has been suitably designed and complied with to provide PBGC 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*. PBGC OIG has received an external peer review rating of *pass*. As is customary, we have issued a letter dated January 31, 2019, that describes a finding that was 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 GAS, we applied certain limited procedures in accordance with guidance established by the CIGIE related to PBGC 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 GAS. The purpose of our limited procedures was to determine whether PBGC 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 PBGC OIG's monitoring of work performed by IPAs. We identified no matters pertaining to PBGC OIG's monitoring of IPAs. The enclosure identifies the monitoring file that we reviewed.



Carl W. Hoecker  
Inspector General

Enclosures

## Enclosure 1

### Scope and Methodology

We tested compliance with the system of quality control established by Pension Benefit Guaranty Corporation (PBGC) Office of Inspector General's (OIG) audit organization to the extent we considered appropriate. These tests included a review of supporting documentation for two of five judgmentally selected audit reports issued between October 1, 2015, and September 30, 2018, and semiannual reporting for the same period. We also reviewed the annual quality assurance reviews performed by PBGC OIG for fiscal years 2016, 2017, and 2018, and corrective action taken to address findings from PBGC OIG's 2016 peer review of its audit organization.

In addition, we reviewed PBGC OIG's monitoring of audits performed by Independent Public Accountants where the Independent Public Accountant served as the auditor between October 1, 2017, and September 30, 2018. During this period, PBGC OIG contracted for the audit of its agency's fiscal year 2017 financial statements.

We visited PBGC OIG's office located in Washington, DC, and met with management to discuss our findings and observations. We performed this review between September 2018 and January 2019.

### Reviewed Audits Performed by PBGC OIG

<u>Report No.</u>	<u>Date</u>	<u>Title</u>
AUD-2017-11	May 23, 2017	Audit Memorandum Report – Insolvent Multiemployer Plans: Ensuring Administrative Expenses are Reasonable, Necessary, and Adequately Supported
AUD-2018-1	November 6, 2017	DATA Act Implementation: Opportunities Exist to Improve Data Quality

### Reviewed Monitoring Files of PBGC OIG for Contracted Audits

<u>Report No.</u>	<u>Date</u>	<u>Title</u>
AUD-2018-4	November 15, 2017	Audit of Pension Benefit Guaranty Corporation's Fiscal Year 2017 Financial Statements

**Enclosure 2**

## **PBGC OIG Response to the Draft System Review Report**



Office of Inspector General  
Pension Benefit Guaranty Corporation

January 2, 2019

Carl W. Hoecker, Inspector General  
U.S. Securities and Exchange Commission  
100 F St. N.E.  
Washington, DC 20549

SUBJECT: Management's Response to Peer Review System Report

Dear Mr. <sup>Carl</sup>Hoecker:

We have reviewed the draft Peer Review System Report provided to our office on December 18, 2018.

We are pleased that your peer review team found that the system for quality control for our audit organization in effect for the year ended September 30, 2018, has been suitably designed and complied with to provide PBGC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

We have no comments to the Peer Review System Report, and we again thank your team for their observations and thoughts.

Sincerely,

Robert A. Westbrooks  
Inspector General