



National Science Foundation • Office of Inspector General
4201 Wilson Boulevard, Suite I-1135, Arlington, Virginia 22230

June 29, 2016

Mr. Robert Westbrooks, Inspector General
Pension Benefit Guaranty Corporation
Office of Inspector General
1200 K Street, N.W., Suite 470
Washington, DC 20005

Subject: External Peer Review System Report on the Pension Benefit Guaranty Corporation
Office of Inspector General Audit Organization

Dear Mr. Westbrooks:

Enclosed is the External Peer Review System Report 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*. Your response to the draft report is included as Enclosure 2.

We appreciate the cooperation and courtesies extended to our staff during the review.

A handwritten signature in black ink, reading 'Allison C. Lerner', is positioned above the typed name.

Allison C. Lerner
Inspector General

Enclosures



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June 29, 2016

Robert Westbrook, Inspector General
Pension Benefit Guaranty Corporation
Office of Inspector General
1200 K Street N.W., Suite 470
Washington, D.C. 20005

We have reviewed the system of quality control for the audit organization of the Pension Benefit Guaranty Corporation Office of Inspector General (PBGC OIG) in effect for the year ended September 30, 2015. 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 with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. PBGC OIG is responsible for establishing and maintaining a system of quality control that is designed to provide PBGC 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 PBGC OIG's compliance therewith based on our review.

In our opinion, the system of quality control for the audit organization of PBGC OIG in effect for the year ended September 30, 2015, 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 June 29, 2016, which sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

Our review was conducted in accordance with *Government Auditing Standards* (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*. During our review, we interviewed PBGC OIG personnel and obtained an understanding of the nature of the PBGC OIG 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 audits and administrative files to test for conformity with professional standards and compliance with PBGC OIG's system of quality control. During the period under review, PBGC OIG issued three performance audits; we reviewed and assessed all three audits. Prior to 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.

In performing our review, we obtained an understanding of the system of quality control for the PBGC OIG 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. 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.

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

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 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 *Government Auditing Standards*.

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. We found that PBGC OIG procedures were sufficient to ensure the IPAs' work complied with the 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.

Enclosure 2 to this report includes PBGC OIG's response to the above opinion.



Allison C. Lerner, Inspector General

Enclosures

Scope and Methodology

We tested compliance with PBGC OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of all three of the three audit reports issued during the period October 1, 2014, through September 30, 2015.

In addition, we reviewed PBGC OIG's monitoring of audits performed by IPAs where the IPA served as the auditor during the period October 1, 2014, through September 30, 2015. During the period, PBGC OIG contracted for the audit of its agency's fiscal year 2014 financial statements. PBGC OIG also contracted for certain other audits related to the financial statement, some of which were to be performed in accordance with *Government Auditing Standards*.

We visited the PBGC OIG office located in Washington, D.C. to interview staff and obtain information.

Reviewed Audits Performed by PBGC OIG:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
AUD-2015-05/PA-13-98	1/30/2015	PBGC Compliance with MAP-21 Still a Work in Progress
AUD-2015-11/PA-14-100	8/6/2015	PBGC Began Developing Methods for Oversight and Administration of Cloud Computing Service Providers- Work is Needed for the Expected Increase in Externally Hosted Systems
AUD-2015-10/PA-15-106	5/14/2015	FY 2014 Audit of PBGC's Compliance with the Implementation of the Improper Payments Information Act

Reviewed Monitoring Files of PBGC OIG for Contracted Audits:

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
AUD-2015-2/FA-14-101-2	11/14/2014	Financial Statement Audit for Fiscal Year 2014
AUD-2015-3/FA-14-101-3	11/14/2014	Internal Control Report for Fiscal Year 2014

PBGC OIG Response



Office of Inspector General
Pension Benefit Guaranty Corporation

June 20, 2016

Allison C. Lerner, Inspector General
National Science Foundation
4201 Wilson Boulevard
Arlington, VA 22230

SUBJECT: Management's Response to Peer Review System Report

Dear Ms. Lerner:

We have reviewed the draft Peer Review System Report provided to our office on June 14, 2016.

We are pleased that your peer review team found that the system of quality control for our audit organization in effect for the year ended September 30, 2015, 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 insights.

Very truly yours,

Digitally signed by

Robert A. Westbrook

Robert A. Westbrook
Inspector General