



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

December 17, 2021

The Honorable Rae Oliver Davis
Inspector General
U.S. Department of Housing and Urban Development
451 7th Street SW
Washington, DC 20410

SUBJECT: System Review Report – U.S. Department of Housing and Urban Development
Office of Inspector General

We have reviewed the system of quality control for the audit organization of U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) in effect for the year ended March 31, 2021. A system of quality control encompasses HUD 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*¹ 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 HUD OIG in effect for the year ended March 31, 2021, has been suitably designed and complied with to provide HUD 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. HUD OIG has received an External 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 HUD OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by independent public accounting firms (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 HUD OIG had controls to ensure IPAs performed contracted work in

¹ U.S. Government Accountability Office, *Government Auditing Standards: 2011 Revision* (GAO-12-331G), December 2011, and *Government Auditing Standards: 2018 Revision* (GAO-18-568G), July 2018.

accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on HUD OIG's monitoring of work performed by IPAs.

Letter of Comment

We have issued in draft a letter dated December 17, 2021, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report. We expect to finalize the letter by January 31, 2022, after receiving and incorporating HUD OIG comments.

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 HUD OIG personnel and obtained an understanding of the nature of the HUD OIG audit organization and whether the design of HUD OIG's system of quality control was 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 HUD OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of the HUD OIG audit organization, with an emphasis on higher-risk engagements. Enclosure I to this report identifies HUD OIG engagements we reviewed.

In performing our review, we obtained an understanding of the system of quality control for the HUD OIG audit organization. In addition, we tested compliance with HUD OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of HUD 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 HUD OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. In finalizing the report, we considered HUD OIG's comments on the draft and included them in their entirety in Enclosure 2.

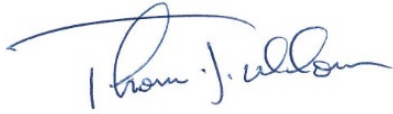
Responsibilities and Limitation

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

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

A handwritten signature in blue ink, appearing to read "Thomas J. Ullom". The signature is fluid and cursive, with a prominent horizontal stroke at the beginning.

Thomas J. Ullom

Acting Inspector General

Enclosures

Scope and Methodology

We tested compliance with the HUD OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 13 of 32 engagement reports conducted in accordance with generally accepted government auditing standards (GAGAS engagements) issued from April 1, 2020, through March 31, 2021. We also reviewed the internal quality control reviews performed by HUD OIG.

In addition, we reviewed HUD OIG's monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor from April 1, 2020, through March 31, 2021. During the period, HUD OIG contracted for the audit of the Government National Mortgage Association's (Ginnie Mae's) fiscal year 2020 financial statements.

We did not visit any of HUD OIG's offices due to COVID restrictions. Interface with HUD was conducted virtually.

Reviewed GAGAS Engagements Performed by HUD OIG

Report No.	Issuance Date	Report Title
2020-AT-1003	08/31/2020	The Housing Authority of the City of Macon-Bibb County, GA, Improperly Executed the HAP Contract for Vineville Christian Towers' RAD Conversion
2020-BO-0001	08/12/2020	HUD Could Strengthen Controls Over Employee Benefits Expensed at Public Housing Agencies
2020-CH-0005	08/21/2020	HUD Needs To Improve Its Oversight of Lead in the Water of Multifamily Housing Units
2020-DP-0002	09/22/2020	HUD, Washington, DC, Information Security Weaknesses Existed Within NCIS
2020-LA-1004	06/18/2020	The Los Angeles County Development Authority, Alhambra, CA, Generally Met HUD Goals and Requirements in Managing Its Family Self-Sufficiency Program
2021-FO-0003	12/04/2020	Audit of HUD's Fiscal Year 2020 Consolidated Financial Statements
2021-KC-0002	01/05/2021	FHA Insured \$940 Million in Loans for Properties in Flood Zones Without the Required Flood Insurance
2021-LA-0803	01/25/2021	Use of Landlord Incentives in the Housing Choice Voucher Program
2021-NY-0801	10/13/2020	Opportunities Exist To Improve HUD's Communication to Renters About Eviction Protections
2021-PH-0002	03/29/2021	HUD Improperly Accounted for and Managed Reimbursements It Received Through Rent Credits From the General Services Administration
2021-SE-1801	10/05/2020	Review of the Nampa Housing Authority's Public Housing Program, Nampa, ID
2021-NY-0001	03/31/2021	HUD FHA's Claim Without Conveyance of Title (CWCOT) Program

Reviewed Monitoring Files of HUD OIG for Contracted GAGAS Engagements

Report No.	Issuance Date	Report Title
2021-FO-0002	11/16/2020	Audit of Ginnie Mae's Fiscal Year 2020 Financial Statements



OFFICE OF INSPECTOR GENERAL
U.S. Department of Housing and Urban Development

December 8, 2021

The Honorable Thomas J. Ullom
Acting Inspector General
U.S. Agency for International
Development Office of Inspector
General
1300 Pennsylvania Avenue
Washington, DC 20523

Dear Mr. Ullom:

Thank you for the opportunity to respond to the draft peer review report of December 6, 2021, regarding the external peer review of the audit organization within our office, the U.S. Department of Housing and Urban Development, Office of Inspector General. We are pleased to receive a rating of "Pass" and appreciate that your office concluded that our system of quality control for the audit organization has been designed and complied with to provide HUD OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

We appreciate and thank the peer review team for its thorough review of our audit operations and the courtesies extended to us during the process.

Sincerely,

A handwritten signature in black ink that reads "Rae Oliver Davis".

Rae Oliver Davis
Inspector General

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