



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20005

INSPECTOR GENERAL
FOR TAX
ADMINISTRATION

September 30, 2015

The Honorable David A. Montoya
Inspector General
Department of Housing and Urban Development
451 7th St., S.W.
Washington, D.C. 20410

Dear Mr. Montoya:

We have reviewed the system of quality control in effect for the year ended March 31, 2015, for the audit organization of the Department of Housing and Urban Development (HUD) Office of Inspector General (OIG). A system of quality control encompasses the HUD OIG's organizational structure and the policies adopted and procedures established that provide it with reasonable assurance of conforming to elements of quality control described in *Government Auditing Standards*. The HUD OIG is responsible for establishing and maintaining a system of quality control that is designed to provide the HUD 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 HUD OIG's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* 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 HUD OIG personnel and obtained an understanding of the nature of the HUD OIG audit organization and the design of the HUD OIG's system of quality control 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 the HUD OIG's system of quality control. The audits selected represented a reasonable cross-section of the HUD OIG's audit organization, with emphasis on higher-risk audits. 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 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 the HUD OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the HUD 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 HUD OIG audits that we reviewed. Enclosure 2 includes your response to the draft report.

In our opinion, the system of quality control for the audit organization of the HUD OIG in effect for the year ended March 31, 2015, has been suitably designed and complied with to provide the HUD 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*. The HUD OIG has received an External Peer Review rating of *pass*.

We have issued a letter dated September 30, 2015, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

We appreciate the cooperation and assistance provided by your staff. The timeliness of responses to questions and access to requested documentation was extremely helpful in completing our review.

Sincerely,

A handwritten signature in black ink that reads "J. Russell George". The signature is written in a cursive, flowing style.

J. Russell George
Inspector General

SCOPE AND METHODOLOGY (Enclosure 1)

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 eight of 106 audit reports (excluding memorandums) issued during the period April 1, 2014 through March 31, 2015. We also reviewed the internal quality control reviews performed by the HUD OIG during this same period.

Reviewed Engagements

We selected and reviewed the following audit reports (and workpapers) issued by the HUD OIG:

<u>Report Number</u>	<u>Report Date</u>	<u>Report Title</u>
2014-SE-1002	4/29/2014	<i>The Yakama Nation Housing Authority Did Not Always Spend Its Recovery Act Funds in Accordance With Requirements</i>
2014-LA-0004	6/30/2014	<i>HUD Could Not Support the Reasonableness of the Operating and Capital Fund Programs' Fees and Did Not Adequately Monitor Central Office Cost Centers</i>
2014-FW-1004	7/15/2014	<i>The State of Texas' Contractor Did Not Perform Adequate Hurricane Dolly Damage Inspections and Failed To Meet Critical Performance Benchmarks</i>
2014-AT-1015	9/30/2014	<i>Prudential Huntoon Paige Associates, LTD Did Not Underwrite and Process a \$49 Million Loan in Accordance With HUD Requirements</i>
2014-CH-0001	9/30/2014	<i>HUD Did Not Always Provide Adequate Oversight of Its Property-Flipping Waiver Requirements</i>
2015-PH-0001	1/30/2015	<i>HUD Lacked Adequate Oversight To Ensure That Public Housing Agencies Complied With Federal Lobbying Disclosure Requirements and Restrictions</i>
2015-BO-1003	3/4/2015	<i>The State of Rhode Island Did Not Always Operate Its Neighborhood Stabilization Program in Compliance With HUD Regulations</i>
2015-FO-0004	3/6/2015	<i>Independent Auditor's Report on HUD's Consolidated Financial Statements and Reports on Internal Controls Over Financial Reporting and Compliance with Laws and Regulations</i>

HUD OIG Response (Enclosure 2)



U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

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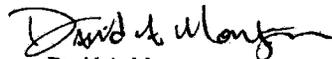
The Honorable J. Russell George
Inspector General
Treasury Inspector General for Tax Administration
1401 H Street NW, Suite 469
Washington, DC 20005

Dear Mr. George:

Thank you for the opportunity to respond to your System of Review draft report on the external peer review of the U.S. Department of Housing and Urban Development, Office of Inspector General, audit function, which was received by our office on August 25, 2015. We are pleased that your review confirmed that our system of quality control has been designed to meet the requirements of the quality control standards established by the Comptroller General of the United States and that our adherence to this system provides reasonable assurance of compliance with auditing standards, policies, and procedures.

We would like to thank the Treasury Inspector General for Tax Administration peer review team for its thorough review of our operations.

Sincerely,


David A. Montoya
Inspector General