
Office of Inspector General

REPORT ON EXTERNAL QUALITY CONTROL REVIEW

***U.S. Postal Service, Office of Inspector General
Audit Organization***

December 18, 2012

**Prepared by the
Office of Inspector General
U. S. Department of Transportation**





**U.S. Department of
Transportation**
Office of the Secretary
of Transportation

The Inspector General

Office of Inspector General
Washington, D.C. 20590

December 18, 2012

The Honorable David C. Williams
Inspector General
United States Postal Service
1735 North Lynn Street, 10th Floor
Arlington, VA 22209-2005

Subject: Peer Review Results

Dear Mr. Williams:

We have reviewed the system of quality control for the United States Postal Service, Office of Inspector General (USPS OIG) audit organization for the 12-month period ended March 31, 2012. The USPS OIG is responsible for designing a system of quality control that encompasses USPS OIG's organizational structure, the policies adopted, and the procedures established to provide USPS OIG with reasonable assurance that it conforms to *Government Auditing Standards* in all material respects. The elements of quality control are described in *Government Auditing Standards*. Our responsibility is to express an opinion on the design of the system of quality control and USPS OIG's compliance 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 USPS OIG personnel to obtain an understanding of the nature of the USPS OIG audit organization and to determine whether the design of USPS OIG's system of quality control is 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 USPS OIG's system of quality control. The engagements selected represented a reasonable cross-section of the USPS OIG's audit organization, with emphasis on higher-risk engagements. However, our selective tests would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance. In fact, there are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance may occur and may not be detected. For example, projection of any evaluation of a system of quality

control is subject to the risk that the system of quality control may become inadequate due to changes in conditions or deterioration of compliance with the policies or procedures.

Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with USPS OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. The exhibit to this report identifies the USPS OIG office that we visited and the audit reports we reviewed.

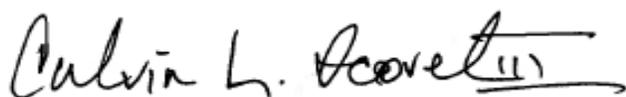
In our opinion, the system of quality control for USPS OIG's audit organization in effect for the 12-month period ended March 31, 2012, has been suitably designed and complied with to provide USPS OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail. The USPS OIG has received a peer review rating of pass.

We transmitted our opinion to USPS OIG in a draft report on November 19, 2012. During the course of our review, we also identified a notable practice, which we highlighted in our transmittal letter accompanying the draft report. USPS OIG agreed with our conclusion in a response dated December 13, 2012. A copy of the response is included as an appendix to this report.

In addition to reviewing USPS OIG's system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with CIGIE guidance to review USPS OIG's monitoring of contracted work performed by Independent Public Accountants (IPA)—where the IPA served as the principal auditor—and to determine whether USPS OIG had controls to ensure the IPA performed their work in accordance with professional standards. Monitoring IPA engagements, however, is not an audit and therefore is not subject to the requirements of *Government Auditing Standards*. Since it was not our objective to express an opinion on USPS OIG's monitoring of work performed by IPAs, we accordingly do not express such an opinion.

I want to express our appreciation for the courtesies extended by your office to the peer review team during this review.

Sincerely,

A handwritten signature in black ink that reads "Calvin L. Scovel III". The signature is written in a cursive style with a horizontal line underneath the name.

Calvin L. Scovel III
Inspector General

EXHIBIT. SCOPE AND METHODOLOGY

We tested compliance with USPS OIG's system of quality control to the extent we considered appropriate. These tests included reviews of 13 of 97 audit reports issued from April 1, 2011, through March 31, 2012, and semiannual reporting periods ended September 30, 2011, and March 31, 2012. We also reviewed the internal quality control reviews performed by USPS OIG.

In addition, we reviewed the USPS OIG's monitoring of contracted work performed by an IPA where the IPA served as the principal auditor during the period April 1, 2011, through March 31, 2012. During this period, the USPS Board of Governors contracted with the IPA for the audit of the USPS Fiscal Year 2011 Financial Statements in accordance with *Government Auditing Standards*.

We performed our review between April 2012 and November 2012. We visited the USPS OIG office in Arlington, VA (Headquarters).

Audit Reports Reviewed

Report Number	Title	Issue Date
NL-AR-11-007	<i>Highway Contract Routes - Western Pennsylvania District</i>	09/27/2011
EN-AR-11-006(R)	<i>Web-Based Application for the Discontinuance of Postal Service-Operated Retail Facilities</i>	07/07/2011
CRR-AR-11-003	<i>Service Performance Measurement Data - Commercial Mail</i>	09/06/2011
FT-AR-11-008	<i>Fiscal Year 2010 Financial Statements Audit – San Mateo Information Technology and Accounting Service Center</i>	04/07/2011
IT-AR-12-005	<i>SAP Human Capital Management System Security Assessment</i>	03/19/2012
FF-AR-11-009	<i>New Approaches to Reduce Costs</i>	06/14/2011

Report Number	Title	Issue Date
DR-AR-11-006	<i>Modes of Delivery</i>	07/07/2011
DA-AR-11-009	<i>Nationwide Facility Optimization</i>	08/26/2011
HR-AR-11-002	<i>Postal Service Work Rules and Compensation Systems</i>	09/19/2011
NL-AR-12-003	<i>Density of First-Class Mail on Air Transportation</i>	03/12/2012
HR-AR-12-003	<i>Unauthorized Overtime Usage in Field Operations</i>	03/30/2012
FT-AR-12-003	<i>Opinion on the Postal Service's Special-Purpose Financial Statements</i>	11/15/2011
FT-AR-11-012	<i>Independent Report on Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management (Attestation Report)</i>	09/29/2011



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

December 13, 2012

The Honorable Calvin L. Scovel III
Inspector General
U.S. Department of Transportation
1200 New Jersey Ave., S.E.
7th Floor
Washington, D.C. 20590-0001

Dear Mr. Scovel:

Thank you for the opportunity to comment on the draft letter on the *Report on External Quality Control Review, United States Postal Service, Office of Inspector General Audit Organization*, dated November 19, 2012. The report recognized that our system of internal quality control was designed to meet the quality control standards established by the Comptroller General of the United States for a federal government audit organization and that we have complied with those standards for the year under review. The report also commended the Office of Inspector General (OIG) for an effectively structured TeamMate® library that facilitates compliance with *Government Auditing Standards* as well as internal OIG policies and procedures.

Please express my appreciation to your staff for their time, dedication, and professionalism. Should you or your staff have any questions, please contact Mark Duda, Assistant Inspector General for Audit, at (703) 248-2100.

Sincerely,

A handwritten signature in black ink that reads "David Williams".

David C. Williams
Inspector General

Enclosures