



U.S. DEPARTMENT OF TRANSPORTATION  
**OFFICE OF INSPECTOR GENERAL**

**System Review Report on the  
U.S. Department of Housing and Urban  
Development  
Office of Inspector General's  
Audit Organization**

September 28, 2018



**U.S. Department of  
Transportation**  
**Office of Inspector General**

September 28, 2018

Helen M. Albert  
Acting Inspector General  
U.S. Department of Housing and Urban Development  
451 7th Street, SW  
Washington, DC 20410

Subject: Peer Review Results

Dear Ms. Albert:

We have reviewed the system of quality control for the U.S. Department of Housing and Urban Development, Office of Inspector General's (HUD-OIG) audit organization for the 12-month period ended March 31, 2018. HUD-OIG is responsible for designing a system of quality control that encompasses HUD-OIG's organizational structure, the policies adopted, and the procedures established to provide HUD-OIG with reasonable assurance that it conforms to *Government Auditing Standards* in all material respects. The quality control elements are described in *Government Auditing Standards*. Our responsibility is to express an opinion on the quality control system's design and HUD-OIG's compliance with *Government Auditing Standards*.

We conducted our review in accordance with *Government Auditing Standards* and the guidelines established in the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed HUD-OIG personnel to obtain an understanding of the nature of HUD-OIG's audit organization and to determine whether the design of HUD-OIG's quality control system is sufficient to assess the risks implicit in its audit function.

To test for conformity with professional standards and compliance with HUD-OIG's quality control system, we selected from audits and attestation engagements, collectively referred to as audits, and administrative files. The files selected represented a reasonable cross-section of HUD-OIG's audit organization, with emphasis on higher-risk audits. However, our selective tests would not necessarily detect all weaknesses in the quality control system or all instances of noncompliance. In fact, because inherent limitations exist in the effectiveness of a quality control system, noncompliance may not be

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

Prior to the conclusion of our review, we reassessed the adequacy of the scope of the peer review procedures, and met with HUD-OIG management to discuss our review results. We believe that the procedures we performed provide a reasonable basis for our opinion. For a list of the audit reports we reviewed, see our report exhibit.

In our opinion, the system of quality control for HUD-OIG's audit organization in effect for the 12-month period ended March 31, 2018, was suitably designed and complied with to provide HUD-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. HUD-OIG has received a peer review rating of pass.

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

Sincerely,

A handwritten signature in black ink, appearing to read "C. L. Scovel, III". The signature is written in a cursive style with a horizontal line underlining the name.

Calvin L. Scovel, III  
Inspector General

Attachment

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## Exhibit. Scope and Methodology

We tested compliance with HUD-OIG’s quality control system to the extent we considered appropriate. These tests included a review of 9 of 109 audit reports issued between April 1, 2017, and March 31, 2018, and semiannual reporting periods ended September 30, 2017 and March 31, 2018. We also examined one internal quality control review.

We performed our review between April 1, 2018 and September 17, 2018. We visited HUD-OIG’s Headquarters in Washington, DC. We sent questionnaires to selected staff members to determine the extent to which HUD-OIG’s quality control policies and procedures were effectively communicated to staff and to obtain staff views about a number of factors related to the agency’s adherence to those policies and procedures. We also reviewed training records of selected employees to determine whether they had obtained the required continuing professional education credits.

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### Table 1. Audit Reports Reviewed

Report Number	Title	Issue Date
2017-NY-0001	<i>HUD PIH’s Required Conversion Program Was Not Adequately Implemented</i>	5/18/2017
2017-FO-0802	<i>Independent Attestation Review: U.S. Department of Housing and Urban Development, Office of Special Needs Assistance Continuum of Care, Regarding Drug Control Accounting for Fiscal Year 2016</i>	6/19/2017
2017-FW-0001	<i>HUD’s Office of Community Planning and Development Did Not Appropriately Assess State CDBG Grantees’ Risk to the Integrity of CPD Programs or Adequately Monitor Its Grantees</i>	7/10/2017
2017-AT-1007	<i>The City of Atlanta, GA, Did Not Properly Administer the Neighborhood Stabilization Program Grants for Its Subrecipient in Accordance With Requirements</i>	7/17/2017

Report Number	Title	Issue Date
2017-LA-0004	<i>HUD Did Not Have Adequate Controls To Ensure That Servicers Properly Engaged in Loss Mitigation</i>	9/14/2017
2017-DP-0003	<i>New Core Project: Although Transaction Processing Had Improved Weaknesses Remained</i>	9/28/2017
2017-CH-1009	<i>The Owner and Management Agents Lacked Adequate Controls Over the Operation of Mary Scott Nursing Center, Dayton, OH</i>	9/30/2017
2018-FO-0005	<i>HUD's Fiscal Years 2017 and 2016 (Restated) Consolidated Financial Statements Audit</i>	11/16/2017
2018-KC-0001	<i>FHA Insured \$1.9 Billion in Loans to Borrowers Barred by Federal Requirements</i>	3/26/2018

**Table 2. Quality Control Review Examined**

Report Number	Title	Issue Date
2017-AT-1013	<i>The City of Chattanooga, TN, Did Not Always Administer Its ESG Program in Accordance With HUD's Requirements</i>	9/28/17

## **Attachment.** Agency Comments



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

SEP 24 2018

The Honorable Calvin L. Scovel, III  
Inspector General  
U.S. Department of Transportation  
1200 New Jersey Avenue SE  
Washington, DC 20590

Dear Mr. Scovel:

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's audit function, which we received on September 17, 2018. 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 express our appreciation to the U.S. Department of Transportation peer review team for its thorough review of our operations and the courtesies extended to us during the process.

Sincerely,

Helen M. Albert  
Acting Inspector General