



System Review Report

March 7, 2012

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We have reviewed the system of quality control for the audit organization of the National Science Foundation - Office of Inspector General (NSF-OIG) in effect for the year ended September 30, 2012. A system of quality control encompasses NSF-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*. NSF-OIG is responsible for designing a system of quality control and complying with it to provide it with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and NSF-OIG's compliance.

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 NSF-OIG personnel and obtained an understanding of the nature of the audit organization, and the design of the system of quality control 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 system of quality control. The engagements selected represented a reasonable cross-section of NSF-OIG's audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with NSF-OIG management to discuss the results. 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 NSF-OIG's audit organization. In addition, we tested compliance with NSF-OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the policies and procedures on selected engagements. As 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.

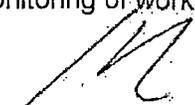
There are inherent limitations in the effectiveness of any system of quality control, and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality 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 engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of NSF-OIG in effect for the year ended September 30, 2011, has been suitably designed and complied with to provide NSF-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*. NSF-OIG has received a peer review rating of *pass*. As is customary, we have issued a letter, dated March 07, 2012, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

Review of IPA Monitoring:

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 NSF-OIG's monitoring of engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of 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 NSF-OIG had controls in place to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express one on NSF's-OIG monitoring of work performed by IPAs.



Kenneth Bach, Deputy Inspector General
Corporation for National and Community Service

Enclosures

cc: Dr. Brett M. Baker, AIGA

Scope and Methodology

We tested compliance with NSF-OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 6 of 29 audit and attestation reports issued during the period October 1, 2010, through September 30, 2011. We also reviewed the internal quality control reviews performed by NSF-OIG.

In addition, we reviewed NSF-OIG's monitoring of engagements performed by IPAs, where the IPA served as the principal auditor, during the period October 1, 2010, through September 30, 2011. During the period, NSF-OIG contracted for the audit of its agency's Fiscal Year 2010 Financial Statements and for certain other engagements that were to be performed in accordance with *Government Auditing Standards*.

We conducted fieldwork at the Arlington, VA, office of NSF-OIG.

Reviewed Engagements Performed by NSF-OIG

Report Number	Report Date	Report Title
11-2-008	09/27/11	NSF's Process for Achieving Goals
11-1-007	03/15/11	Limited Scope Review of Recovery Act Quarterly Reporting Processes – American Museum of Natural History
11-2-006	03/17/11	NSF's Actions to Improve Workforce Management and the Work Environment for Employees
11-1-002	03/10/11	Limited Scope Review of Recovery Act Quarterly Reporting Process at the University of Alaska - Anchorage

Reviewed Monitoring Files of NSF-OIG for IPA Contracted Engagements

Report Number	Report Date	Report Title
11-1-010	03/31/11	Association of Universities for Research Astronomy Inc. National Optical Astronomy Observatories' Accounting System and Proposal Estimating Practices
11-1-021	11/12/10	NSF's FY 2010 Financial Statements Audit