

The Honorable Patrick P. O'Carroll, Jr.  
Inspector General  
Social Security Administration  
6401 Security Boulevard, Suite 300  
Baltimore, Maryland 21235

Dear Mr. O'Carroll:

We reviewed the system of quality control in effect for a year ending March 31, 2012, for the audit of the Social Security Administration, Office of the Inspector General (SSA OIG). A system of quality control encompasses the SSA OIG's organizational structure and the policies adopted as well as the procedures established to provide a reasonable assurance it is conforming to the elements of quality control described in *Government Auditing Standards, December 2011 Revision* (GAS). The SSA OIG is responsible for designing a system of quality control and compliance to provide reasonable assurance it is 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 SSA OIG's compliance regarding that system based on our review.

We conducted our review in accordance with GAS and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed SSA OIG personnel and obtained an understanding of the nature of the SSA OIG audit organization and the design of the SSA OIG's 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 SSA OIG's system of quality control. The engagements selected represented a reasonable cross-section of the SSA OIG's audit organization with an 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 SSA OIG management to discuss our results. We believe the procedures performed provided a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the SSA OIG's audit organization. In addition, we tested compliance with the SSA OIG's quality control policies and procedures to the extent considered appropriate. These tests covered the application of the SSA OIG's policies and procedures on selected engagements. We based our review on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

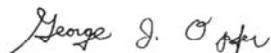
Inherent limitations exist within effectiveness assessments of any system of quality control; therefore, noncompliance with a system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the SSA OIG system for audit quality control in effect for a year ending March 31, 2012, has been suitably designed. The degree of compliance with this system provides the SSA 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*. We determined that the SSA OIG earned a peer review rating of *pass*.

In addition to reviewing its system of quality control to ensure adherence to the GAS, we applied certain limited procedures in accordance with CIGIE guidance. This guidance related to the SSA OIG's monitoring of engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. Monitoring of engagements performed by IPAs does not constitute an audit and is not subject to the requirements of GAS. Although our limited procedures determined whether the SSA OIG had controls to ensure IPAs performed contracted work in accordance with professional standards, our objective was not to express an opinion, and accordingly, we did not express an opinion on the SSA OIG's monitoring of work performed by IPAs.

Enclosure I of this report identifies the offices of the SSA OIG we visited and the engagements reviewed. Enclosure II provides the SSA OIG Office of Audit's response to the draft report. We appreciated the cooperation and courtesies extended to us by members of your staff during the conduct of this review.

Sincerely,



GEORGE J. OPFER

Enclosures (2)

## Enclosure I

### SCOPE AND METHODOLOGY

We tested compliance with the SSA OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 10 of 66 audit reports issued during the period April 1, 2011, through March 31, 2012, and semiannual reporting periods of April 1, 2011, through September 30, 2011, and October 1, 2011, through March 31, 2012. The SSA OIG did not issue any attestation reports during this period. We also assessed the internal quality control performed by the SSA OIG for the reports we reviewed.

Two of the 10 reports we reviewed were performed by IPAs. We reviewed the SSA OIG's monitoring of these engagements where the IPA served as the principal auditor during the period April 1, 2011, through March 31, 2012. During this period, the SSA OIG contracted for the audit of its agency's Fiscal Year 2011 financial statements, along with the *Fiscal Year 2011 Evaluation of the Social Security Administration's Compliance with the Federal Information Security Management Act of 2002* audit.

We visited the Baltimore, MD; Boston, MA; and Crystal City, VA offices of the SSA OIG. We also administered a survey to the SSA OIG employees who charged hours on the selected projects. We had a 100 percent response rate.

## SSA OIG Performance Audits Reviewed

Table 1 identifies the eight SSA OIG audits performed by the SSA OIG’s Boston, Chicago, San Francisco, New York, and Evaluations Audit Divisions that we reviewed.

<b>Table 1. SSA OIG Performance Audits</b>			
<b>SSA OIG Audit Division</b>	<b>Report No.</b>	<b>Report Date</b>	<b>Report Title</b>
Boston	A-01-11-11109	10/12/2011	<i>Administrative Costs Claimed by the Maine Disability Determination Services</i>
Boston	A-01-10-20120	02/21/2012	<i>Unnecessary Medical Determinations for Supplemental Security Income Disability Claims</i>
Chicago	A-12-11-21192	06/29/2011	<i>Congressional Response Report: The Office of Disability Adjudication and Review’s Hearings Backlog and Processing Times</i>
Chicago	A-12-11-11126	10/13/2011	<i>Training of New Administrative Law Judges at the Office of Disability Adjudication and Review</i>
San Francisco	A-09-10-21071	03/21/2012	<i>Spousal Beneficiaries Who Reported They Were Entitled to a Government Pension</i>
San Francisco	A-09-09-29117	06/17/2011	<i>Aged Beneficiaries Whose Benefits Have Been Suspended for Address or Whereabouts Unknown</i>
New York	A-02-09-29025	06/1/2011	<i>Supplemental Security Income Recipients with Unreported Real Property</i>
Evaluations	A-13-11-11123	Not Applicable (Canceled Audit)	<i>Accuracy of Special Disability Workload Payments</i>

## SSA OIG Contractor Monitoring Files Reviewed

Table 2 identifies the two audits performed by IPAs for which we reviewed the SSA OIG’s monitoring activities.

<b>Table 2. SSA OIG Monitoring Files for Contracted Audits</b>			
	<b>Report No.</b>	<b>Report Date</b>	<b>Report Title</b>
Financial	A-15-11-11177	11/7/2011	<i>Fiscal Year 2011 Financial Statement Audit Oversight</i>
Information Technology	A-14-11-01134	11/14/2011	<i>Fiscal Year 2011 Evaluation of the Social Security Administration’s Compliance with the Federal Information Security Management Act of 2002</i>

Enclosure II



SOCIAL SECURITY

August 8, 2012

Ms. Linda A. Halliday  
Assistant Inspector General  
for Audits and Evaluations  
Department of Veterans Affairs  
Office of Inspector General  
Office of Audits and Evaluations (52)  
810 Vermont Ave, NW  
Washington, DC 20420

Dear Ms. Halliday:

We reviewed your draft report on our quality control system. We are pleased with your conclusion that our quality control system has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

We appreciate the efforts of your staff in completing this review in a thorough fashion, with minimal interference to our normal work flows. My staff also appreciated the note in your draft transmittal that positive audit practices were observed, such as the organization of our electronic work papers to facilitate future reviews.

If you have any questions, please contact me at (410) 965-9700. I look forward to receiving your final report.

Sincerely,

A handwritten signature in black ink that reads 'Steven L. Schaeffer'.

Steven L. Schaeffer  
Assistant Inspector General  
for Audit

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001