The Honorable Patrick E. McFarland
Inspector General
U.S. Office of Personnel Management
Office of Inspector General
1900 E Street, NW
Washington, DC 20415

Office of Inspector General Audit Organization

Dear Mr. McFarland:

We have reviewed the system of quality control for the audit organization of the Office of Personnel Management (OPM) Office of Inspector General (OIG) in effect for the year ended March 31, 2012. A system of quality control encompasses the OPM 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. The OPM OIG is responsible for designing a system of quality control and complying with it to provide the OPM OIG 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 the OPM OIG’s compliance therewith 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 OPM OIG personnel and obtained an understanding of the nature of the OPM OIG’s audit organization and the design of the OPM 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 OPM OIG’s system of quality control. The engagements selected represented a reasonable cross-section of the OPM 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 OPM 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 OPM OIG’s audit organization. In addition, we tested compliance with the OPM OIG’s quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the OPM OIG’s policies and procedures on selected engagements. 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 offices of the OPM OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of the OPM OIG in effect for the year ended March 31, 2012, has been suitably designed and complied with to provide the OPM 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 OPM OIG has received a peer review rating of pass. As is customary, we have issued a letter dated September 26, 2012, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

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 the OPM 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 the OPM OIG had controls 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 an opinion, on the OPM OIG’s monitoring of work performed by IPAs.

Mark Bialek
Inspector General
Board of Governors of the Federal Reserve System

Enclosures
SCOPE AND METHODOLOGY (Enclosure 1)

Scope and Methodology

We tested compliance with the OPM OIG audit organization’s system of quality control to the extent we considered appropriate. These tests included a review of 8 of 73 audit and attestation reports issued during the period April 1, 2011, through March 31, 2012, and semiannual reporting periods April 2011 through September 2011 and October 2011 through March 2012. We also reviewed the internal quality control reviews performed by the OPM OIG.

In addition, we reviewed the OPM OIG’s monitoring of engagements performed by IPAs where the IPA served as the principal auditor during the period April 1, 2011, through March 31, 2012. During the period, the OPM OIG contracted for the audit of its agency’s fiscal year 2011 financial statements.

We visited the Washington, DC, offices of the OPM OIG and conducted phone interviews with OPM OIG audit staff in field offices located in Cranberry, Pennsylvania, and Jacksonville, Florida.

Reviewed Engagements Performed by the OPM OIG

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<tr>
<th>Report no.</th>
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<tr>
<td>4A-RI-00-12-009</td>
<td>03/14/12</td>
<td>Audit of the U.S. Office of Personnel Management’s Fiscal Year 2011 Improper Payments Reporting for Compliance with the Improper Payments Elimination and Recovery Act of 2010</td>
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<td>1B-31-00-10-038</td>
<td>03/12/12</td>
<td>Audit of Government Employees Health Association, Inc. Benefit Plan—Lee’s Summit, Missouri</td>
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<td>1C-WQ-00-11-057</td>
<td>12/22/11</td>
<td>Audit of the Federal Employees Health Benefits Program Operations at Aetna Open Access—Phoenix and Tucson, Arizona</td>
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<td>1B-47-00-11-002</td>
<td>09/01/11</td>
<td>Audit of American Postal Workers Union Health Plan—Glen Burnie, Maryland</td>
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<td>1C-ZJ-00-10-056</td>
<td>04/13/11</td>
<td>Audit of the Federal Employees Health Benefits Program Operations at Humana Health Plans of Puerto Rico, Inc.</td>
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<tr>
<td>3A-CF-00-10-036</td>
<td>04/04/11</td>
<td>Audit of Community Health Charities 2008 Combined Federal Campaign—Arlington, Virginia</td>
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### Reviewed Monitoring Files of the OPM OIG for Contracted Engagements

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<td>4A-CF-00-11-051</td>
<td>11/15/11</td>
<td>Audit of the U.S. Office of Personnel Management's Fiscal Year 2011 Special Purpose Financial Statements</td>
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<td>4A-CF-00-11-050</td>
<td>11/14/11</td>
<td>Audit of the U.S. Office of Personnel Management's Fiscal Year 2011 Consolidated Financial Statements</td>
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September 14, 2012

Mr. Andrew Patchan, Jr.
Associate Inspector General
Board of Governors of the Federal Reserve System
Office of Inspector General
20th and C Streets N.W.
Mail Stop 300
Washington, DC 20551

Dear Mr. Patchan:

We have reviewed the draft report on the results of your external quality control review of the Office of Personnel Management’s (OPM) Office of the Inspector General’s (OIG) audit organization. We concur with your conclusions that our system of quality control is suitably designed and compliant with the standards established by the Comptroller General of the United States. Our response to your letter of comments is being provided under separate cover.

I would like to take this opportunity to thank your staff for their professionalism during the course of this review. We appreciated their diligent efforts to analyze our system of quality control and offer constructive suggestions for improvements.

If you have questions regarding our response, you may contact me or Jeffrey E. Cole, Deputy Assistant Inspector General for Audits, on 202-606-1200.

Sincerely,

Michael R. Esser
Assistant Inspector General for Audits