



Office of Inspector General
Legal Services Corporation

Inspector General
Jeffrey E. Schanz

3333 K Street, NW, 3rd Floor
Washington, DC 20007-3558
202.295.1660 (p) 202.337.6616 (f)
www.oig.lsc.gov

September 05, 2018

Carl W. Hoecker
Inspector General
U.S. Securities and Exchange Commission
Office of Inspector General
100 F St NE, Washington, DC 20549

Subject: External Peer Review Report on U.S. Securities and Exchange Commission
Office of Inspector General Audit Organization

Dear Carl W. Hoecker,

Attached is the External Peer Review Report of the U.S. Securities and Exchange Commission Office of Inspector General audit organization conducted in accordance with Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. Your response to the draft report, dated August 17, 2018, is included as Enclosure 2.

We appreciate the cooperation and courtesies extended to our staff during the review.

Sincerely,



Jeffrey E. Schanz

Inspector General

Attachment



Office of Inspector General
Legal Services Corporation

Inspector General
Jeffrey E. Schanz

3333 K Street, NW, 3rd Floor
Washington, DC 20007-3558
202.295.1660 (p) 202.337.6616 (f)
www.oig.lsc.gov

SYSTEM REVIEW REPORT

September 05, 2018

To Carl W. Hoecker, Inspector General
U.S. Securities and Exchange Commission

We have reviewed the system of quality control for the audit organization of the U.S. Securities and Exchange Commission Office of Inspector General (SEC OIG) in effect for the year ended March 31, 2018. A system of quality control encompasses SEC OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards (Standards)*. The elements of quality control are described in *Government Auditing Standards*. SEC OIG is responsible for establishing and maintaining a system of quality control that is designed to provide SEC OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and SEC OIG's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed SEC OIG personnel and obtained an understanding of the nature of the SEC OIG audit organization, and the design of the SEC OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and administrative files to test for conformity with professional standards and compliance with SEC OIG's system of quality control. The audits selected represented a reasonable cross-section of SEC OIG's audit organization, with emphasis on higher-risk audits. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with SEC 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 SEC OIG's audit organization. In addition, we tested compliance with SEC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of SEC OIG's policies and procedures on selected audits. 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 SEC OIG's audits that we reviewed.

In our opinion, the system of quality control for the audit organization of SEC OIG in effect for the year ended March 31, 2018, has been suitably designed and complied with to provide SEC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. SEC OIG has received an External Peer Review rating of *pass*.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey E. Schanz", with a long horizontal flourish extending to the right.

Jeffrey E. Schanz
Inspector General

Enclosure

Scope and Methodology

We tested compliance with SEC OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 4 of 5 performance audit reports issued during the period April 1, 2017, through March 31, 2018. We also reviewed the internal quality control reviews performed by SEC OIG.

SEC OIG did not perform any attestation engagements or financial audits, nor did it monitor audits performed by IPAs during our scope period.

We used the *CIGIE Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, dated September 2014, to conduct our review. We performed our review work from April 2018 to June 2018. We interviewed staff and visited the SEC OIG's Office in Washington, D.C. We performed most of our review work at LSC OIG's office in Washington, D.C.

Reviewed Audits Performed by SEC OIG

The table below identifies the four audit reports issued by the SEC OIG that were reviewed by the LSC Office of Inspector General.

Report No.	Report Issue Date	Report Title
543	September 29, 2017	Audit of SEC's Management of Its Data Centers: A-17-05
544	September 28, 2017	Audit of the SEC's Progress in Enhancing and Redesigning the Electronic Data Gathering Analysis, and Retrieval System: A-17-03
545	November 7, 2017	Audit of the SEC's Compliance with the Digital Accountability and Transparency Act for Fiscal Year 2017: A-17-08
546	March 30, 2018	Audit of the SEC's Compliance with the Federal Information Security Modernization Act for Fiscal Year 2017 - A-17-06

Enclosure 2



OFFICE OF
INSPECTOR GENERAL

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

August 17, 2018

Jeffrey E. Schanz
Inspector General
Legal Services Corporation
3333 K Street, NW, 3rd Floor
Washington, DC 20007-3558

Dear Mr. Schanz:

Thank you for the opportunity to comment on the Draft System Review Report, dated August 17, 2018, on the U.S. Securities and Exchange Commission's Office of Inspector General's audit organization for the period ended March 31, 2018. We are pleased that your independent review of our audit organization resulted in a rating of *pass* and concluded that our system of quality control was 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 your efforts in conducting this review. Should you have questions, please contact me or Rebecca Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects, at (202) 551-6083.

Sincerely,

A handwritten signature in black ink, appearing to read "Carl W. Hoecker".

Carl W. Hoecker
Inspector General