GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS
OFFICE OF THE V. I. INSPECTOR GENERAL
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STEVEN VAN BEVERHOUDT
V.I. INSPECTOR GENERAL

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April 19, 2012

Honorable John P. de Jongh, Jr.
Governor of the Virgin Islands
Government House
Kongens Gade
St. Thomas, Virgin Islands 00804

Honorable Ronald E. Russell, Esq.
President
29th Legislature
Capitol Building
St. Thomas, Virgin Islands 00804

Dear Governor de Jongh and Senator Russell:

The 2007 Revision of the Government Auditing Standards issued by the Comptroller General of the United States, in the General Standard on Quality Control and Assurance, states in paragraph 3.61 that; "*Government audit organizations should also communicate the overall results and the availability of their external peer review reports to appropriate oversight bodies.*"

Accordingly, please find attached a copy of the recently completed peer review of the Office of the Virgin Islands Inspector General for the year ended September 30, 2011. The report concluded that; "*. . . the quality control system for the auditing practices of VIIG in effect for the year ended September 30, 2011 was adequately designed and complied with during the year then ended to provide VIIG with reasonable assurance of conforming with applicable professional standards."*

Should you or your staff require additional information, please contact me at 774-6426.

Sincerely,

Steven van Beverhoudt, CFE, CGFM
V. I. Inspector General

Attachments:
cc: Senators, 29th Legislature

Paul H. Koehler

Certified Public Accountant
6701 Park Crest Court
Lincoln, NE 68506
(402) 488-1578

January 26, 2012

Mr. Steven van Beverhoudt, Inspector General
Office of the U.S. Virgin Islands Inspector General
2315 Kronprindens Gade No. 75
St. Thomas, USVI 00802-6468

Dear Mr. van Beverhoudt:

I have reviewed the quality control system for the auditing practices of The Office of the U.S. Virgin Islands Inspector General (VIIG) in effect for the year ended September 30, 2011. My review was conducted in conformity with standards for external peer reviews established by the 2007 Revision to Government Auditing Standards, issued by the Comptroller General of the United States. I tested compliance with VIIG's quality control policies and procedures to the extent considered appropriate. These tests included a review of a selected Government Auditing Standards auditing engagement performed in accordance with the standards for performance audits contained therein.

In performing my review, I have given consideration to the quality control standards contained in Government Auditing Standards. Those standards indicate that the nature, extent, and formality of an audit organization's quality control system will vary based on the audit organization's circumstances, such as the audit organization's size, number of offices and geographic dispersion, the knowledge and experience of its personnel, the nature and complexity of its audit work, and cost-benefit considerations. They state that an audit organization's quality control system encompasses the audit organization's leadership, emphasis on performing high quality work, and the organization's policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements.

In my opinion, the quality control system for the auditing practices of VIIG in effect for the year ended September 30, 2011 was adequately designed and complied with during the year then ended to provide VIIG with reasonable assurance of conforming with applicable professional standards.

As part of this review, I have also issued a separate letter of comments dated January 26, 2012 for your consideration.

Paul H. Koehler, CPA

Paul H. Koehler

Certified Public Accountant
6701 Park Crest Court
Lincoln, NE 68506
(402) 488-1578

January 26, 2012

Mr. Steven van Beverhoudt, Inspector General
Office of the U.S. Virgin Islands Inspector General
2315 Kronprindens Gade No. 75
St. Thomas, USVI 00802-6468

Dear Mr. van Beverhoudt:

I have reviewed the internal quality control system for the auditing practices of The Office of the U.S. Virgin Islands Inspector General (VIIG) in effect for the year ended September 30, 2011 and have issued my report thereon dated January 26, 2011. This letter should be read in conjunction with that report.

My review was for the purpose of reporting upon VIIG's internal quality control system and its compliance with that system. My review was conducted in conformity with standards established by the 2007 Revision to Government Auditing Standards; however, my review would not necessarily disclose all weaknesses in the system or all instances of noncompliance with it because my review was based on selective tests.

There are inherent limitations that should be recognized in considering the potential effectiveness of any internal quality control system. In the performance of most control procedures, departures can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Projection of any evaluation of an internal quality control system to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate. As a result of my review, I have the following comments:

Finding – VIIG's quality control procedures are documented in an Auditor's Manual. However, this manual has not been comprehensively updated since it was written in 1991, resulting in a lack of current documentation of compliance with certain generally accepted government auditing standards (GAS). Nevertheless, because a limited number of audit reports were issued during the year ended September 30, 2011, I was able to satisfy myself that VIIG appropriately considered adequate audit policies and procedures in performing its audits. This finding was also included in prior review comment letters. Also, a total of nine individual issue Auditor's Manual Policy Memoranda have been issued through September 30, 2011.

Recommendation – The IG should schedule VIIG resources to enable an immediate and thorough comprehensive revision to the Auditor's Manual in order to update and document its policies and procedures for the current staffing level to help ensure all audits are performed at a consistently high level of quality in accordance with GAS provisions that are constantly changing.

Finding – 2007 GAS 8.30 (retained in 2011 GAS 7.30) requires specific wording to be used in the auditor's report to indicate the audit was performed in accordance with GAGAS. This specific wording was not used in the report of the reviewed engagement.

Recommendation – VIIG should immediately inform all auditors of this required wording and ensure appropriate use thereof through its report preparation and review processes.

Finding – The 2007 GAS 3.63 (retained in 2011 GAS 3.107) requires auditors who are using another auditor's work to request a copy of the other auditor's latest peer review report and any letter of comment. No such request was made by VIIG regarding another auditor's work utilized in the reviewed engagement.

Recommendation – VIIG should inform their personnel of this requirement and review applicable engagements for compliance.

Finding – GAS requires auditors to report their evaluation of auditee official's views on audit findings, and if auditors disagree, to explain their reasons for disagreements. If original findings are subsequently modified, it is even more important these reasons be clearly explained, as was the case with one finding in the reviewed engagement.

Recommendation – VIIG should report the reasons for disagreement with auditee officials regarding reported findings. If original findings are subsequently modified, reference to the original finding would provide perspective to auditee comments and provide clarity to the auditor's reported reasons for disagreement.

Finding – GAS requires an audit organization's quality control system to include procedures for monitoring its design and operation, with analysis and summarization of monitoring procedure results at least annually. As of September 30, 2011, the VIIG Quality Control Manual (Auditor's Manual), written in 1991, contained procedures for monitoring compliance with GAS under Auditor's Manual Policy Memorandum No. 8 dated February 9, 2009. However, no such monitoring procedures have been performed through September 30, 2011. The omission of monitoring procedures was also noted in the last two peer review comment letters.

Recommendation – VIIG should comply with its Auditor's Manual to perform (or contract for) procedures for monitoring the design and operation of its quality control procedures, and summarize the results of these monitoring procedures at least annually in accordance with 2007 GAS paragraph 3.54, and 2011 GAS 3.95. Monitoring of VIIG's work will help ensure high quality audit services are provided to the citizens of the U.S. Virgin Islands.

The foregoing matters were considered in determining my opinion set forth in my report dated January 26, 2012 and this letter does not change that report.

Paine H. Koehler, CPA