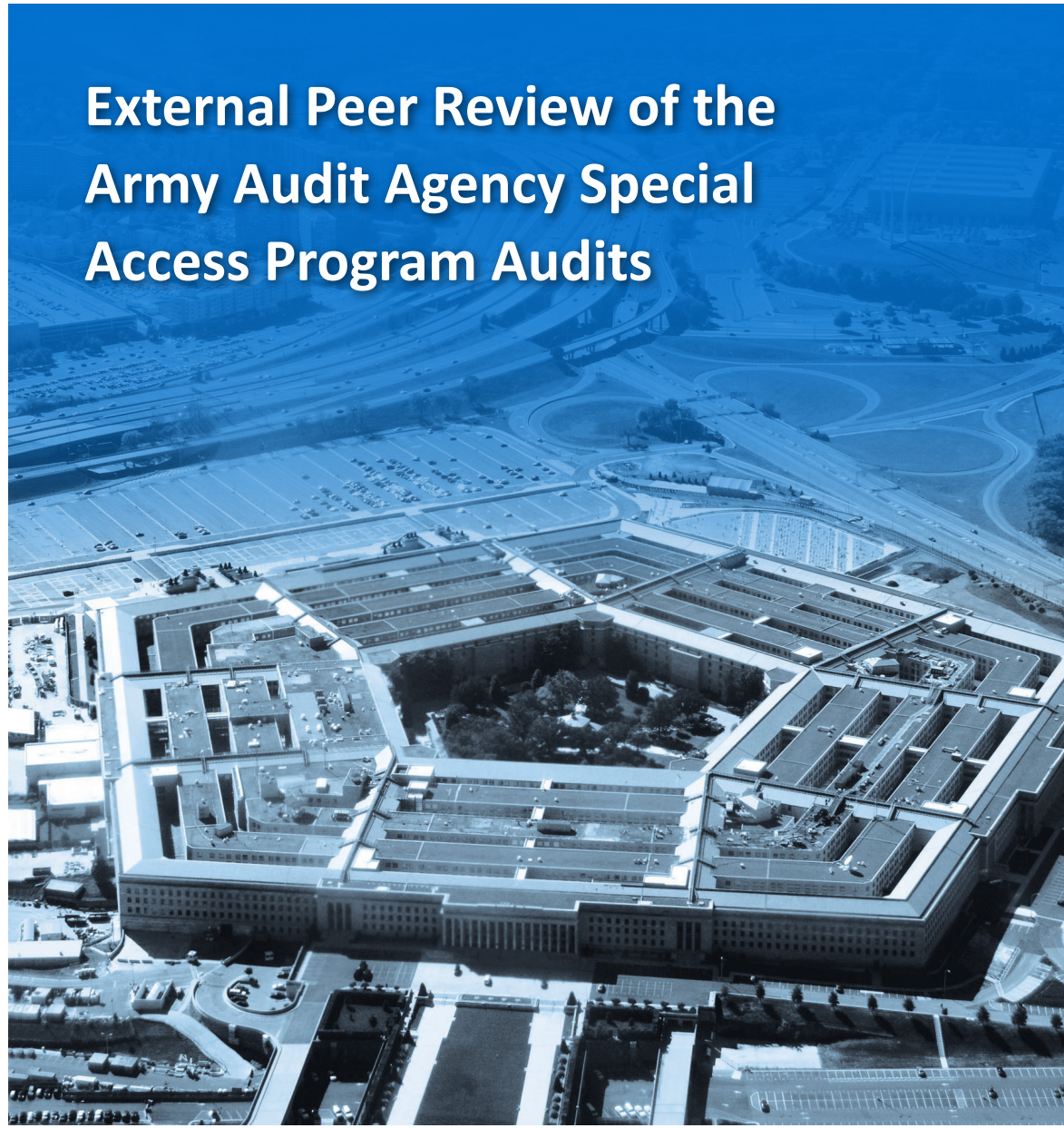




INSPECTOR GENERAL

U.S. Department of Defense

APRIL 27, 2021



External Peer Review of the Army Audit Agency Special Access Program Audits

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

April 27, 2021

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: External Peer Review of the Army Audit Agency Special Access
Program Audits (Report No. DODIG-2021-078)

Attached is the System Review Report of the Army Audit Agency Special Access Program Audits. We are providing this report for your information and use. We provided a discussion draft of this report to the Army Audit Agency officials, who did not have any comments.

We conducted this external peer review in accordance with the Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency "Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General." The Enclosure of the report identifies the scope and methodology for the review.

We appreciate the cooperation and courtesies extended to our staff during the external peer review. If you have any questions, please contact [REDACTED]

A handwritten signature in black ink, appearing to read "Randolph R. Stone", is located below the text.

Randolph R. Stone
Assistant Inspector General for Evaluations
Space, Intelligence, Engineering and Oversight





**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

April 27, 2021

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: System Review Report on External Peer Review of the Army Audit Agency Special Access Program Audits (Report No. DODIG-2021-078)

We reviewed the system of quality control for the Army Audit Agency (AAA) Special Access Program (SAP) audits in effect for the 3-year period ended December 31, 2019. A system of quality control encompasses the AAA SAP organizational structure, policies adopted, and procedures established to provide it with reasonable assurance of conforming in all material respects with the Government Auditing Standards and applicable legal and regulatory requirements. The elements of quality control are described in the Government Auditing Standards.

In our opinion, the system of quality control for the AAA SAP audits in effect for the 3-year period ended December 31, 2019, has been suitably designed and complied with to provide the AAA with reasonable assurance of performing and reporting in conformity in all material respects with applicable professional standards and legal and regulatory requirements.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The AAA has received a rating of *pass* for its SAP audits.

Basis of Opinion

We conducted our review in accordance with the 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," September 2014.¹

During our review, we interviewed six AAA audit personnel assigned to the two SAP audits that we selected for review. We obtained an understanding of the nature of the AAA and the design of its system of quality control sufficient to assess the risks implicit with AAA SAP audits.

¹ The July 2018 revision of the Government Auditing Standards is required for use on performance audits that started on or after July 1, 2019. For two AAA SAP audits that we selected for review, the AAA started the audits before July 1, 2019. Accordingly, we used the September 2014 version of the CIGIE "Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General."

Based on our assessment, we selected two of seven SAP audits that the AAA issued from January 1, 2017, through December 31, 2019. The two audits we selected represent a reasonable cross-section of the universe of seven SAP audits the AAA performed during the 3-year period ended December 31, 2019. We tested the two audits for conformity with the Government Auditing Standards.

In performing our review, we obtained an understanding of the system of quality control for AAA SAP audits. The Naval Audit Service performed an external peer review of AAA non-SAP audits for the 3-year period ended December 31, 2019. As part of the Naval Audit Service external peer review of non-SAP AAA audits, the Naval Audit Service reviewed the AAA quality control policies and procedures applicable to both SAP and non-SAP audits. We relied on the Naval Audit Service review of the AAA quality control policies and procedures to the extent that we considered appropriate.

We performed tests of the quality control policies and procedures by completing the appropriate CIGIE Guide checklists for the two SAP audits we selected for review. The tests covered the AAA audit policies and procedures applicable to SAP audits. Our review was based on selected tests; therefore, it did not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance.

We met with AAA management to discuss the results of our review for SAP audits. We believe that the procedures we performed provide a reasonable basis for our opinion. The Enclosure identifies the scope and methodology, including our basis for selecting the two audits we reviewed.

Responsibilities and Limitation

The AAA is responsible for establishing and maintaining a system of quality control designed to provide the AAA with reasonable assurance that the organization and its personnel comply in all material respects with applicable professional standards and legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and the AAA compliance with the system applicable to SAP audits based on our review.

There are inherent limitations in the effectiveness of any system of quality control; 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.



Randolph R. Stone
Assistant Inspector General for Evaluations
Space, Intelligence, Engineering and Oversight

Enclosure

Scope and Methodology

We conducted this external peer review from September 2019 through March 2021 in accordance with the Government Auditing Standards and the CIGIE “Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General,” September 2014. These standards require that we obtain an understanding of the audit organization’s system of quality control and conclude whether the:

- system is designed appropriately to ensure compliance with the Government Auditing Standards, and
- audit organization is complying with the Government Auditing Standards and internal policies and procedures.

This external peer review covered the 3-year period from January 1, 2017, through December 31, 2019. We tested compliance with the AAA system of quality control for SAP audits to the extent we considered appropriate. These tests included a review of nonstatistically selected SAP audits, comprising two of the seven SAP audits that the AAA issued from January 1, 2017, through December 31, 2019. We used the appendixes and procedures in the September 2014 CIGIE Guide identified in the following sections to conduct this external peer review.

Policies and Procedures (CIGIE Guide Appendix A)

We relied on the Naval Audit Service’s external peer review of the AAA policies and procedures to determine whether the policies and procedures complied with the Government Auditing Standards. The AAA uses the same audit policies for both SAP and non-SAP audits. The Naval Audit Service requested that the AAA complete Column 1 of CIGIE Guide Appendix A, “Policies and Procedures,” and provide a copy of relevant policies and procedures. In Column 2 of CIGIE Guide Appendix A, the Naval Audit Service recorded its conclusions and comments on whether the AAA policies and procedures complied with the Government Auditing Standards. The Naval Audit Service concluded that the AAA policies and procedures complied with the Government Auditing Standards. We performed tests of the Naval Audit Service’s review of the audit policies and procedures to place reliance on the Naval Audit Service review conclusions.

Checklist for the Standards of Independence, Competence and Continuing Professional Education, and Quality Control and Peer Review (CIGIE Guide Appendix B)

Using Appendix B of the CIGIE Guide, we tested the two selected AAA SAP audits for compliance with the general standards in the Government Auditing Standards, consisting of independence, competence, continuing professional education, and quality control and assurance. We reviewed the continuing professional education documentation for all six of the audit staff assigned to the two projects we selected for review. We reviewed the continuing professional education documentation for FY 2018 and FY 2019 to determine whether the six AAA SAP auditors obtained the required number of continuing professional education hours, and whether the auditors were competent. The six AAA SAP auditors met the requirements in the Government Auditing Standards for continuing professional education and demonstrated that they were competent.

Checklist for AAA SAP Performance Audits (CIGIE Appendix E)

From January 1, 2017, through December 31, 2019, the AAA completed seven SAP audits, all of which were performance audits. We nonstatistically selected two AAA SAP performance audits to review. In selecting our nonstatistical sample, we chose projects that would provide a reasonable cross-section of projects completed by the AAA. For example, we chose projects that the AAA most recently completed and which varied in subject matter. Using Appendix E of the CIGIE Guide, we reviewed the two SAP performance audits to determine the extent to which the audits complied with the Government Auditing Standards. The AAA conducted the two SAP performance audits while the December 2011 revision to the Government Auditing Standards was in effect. We determined that the two SAP performance audits complied, in all significant respects, with the Government Auditing Standards.

Terminated Audit (CIGIE Risk Assessment Procedure)

In addition to the seven SAP performance audits that AAA completed from January 1, 2017, through December 31, 2019, AAA terminated one SAP performance audit on June 7, 2017. Based on our previous external peer review results of AAA, we determined that the risk of finding noncompliances associated with the terminated SAP performance audit was low.² Therefore, we decided not to review the terminated SAP performance audit for compliance with the Government Auditing Standards.

² In Report No. DODIG-2017-091, "External Peer Review Report of the Army Audit Special Access Program Audits," June 9, 2017, AAA received a rating of pass. The report did not contain any findings.

Auditor Interviews (CIGIE Risk Assessment Procedure)

We interviewed 6 of the 24 AAA SAP auditors to determine whether AAA management communicated the AAA quality control policies and procedures to the auditors. We chose the six auditors because they were assigned to the two performance audits that we selected for our review. We also assessed the auditors' understanding of, and compliance with, the Government Auditing Standards and the AAA quality control policies and procedures. We determined that the six auditors possessed an adequate understanding of the Government Auditing Standards and the AAA quality control policies and procedures.

Use of Computer-Processed Data

We did not use computer-processed data to perform this external peer review.

Prior Coverage

During the last 5 years, the Department of Defense Office of Inspector General (DoD OIG) issued one report discussing the external peer review of AAA SAP audits. In addition, the Naval Audit Service issued two reports discussing the external peer review of AAA non-SAP audits. Unrestricted DoD OIG reports can be accessed at www.dodig.mil/reports.

DoD OIG

Report No. DODIG-2017-091, "External Peer Review Report of the Army Audit Special Access Program Audits," June 9, 2017

The DoD OIG conducted an external peer review of the AAA SAP program for the 3 year period ended December 31, 2016, to determine whether the quality control system for AAA SAP audits was suitably designed, operating effectively, and complied with in practice. The AAA received an external peer review rating of pass for its SAP audits.

Naval Audit Service

P2021-0001, "Opinion Letter on the Fiscal Year 2020 External Quality Control Peer Review of the United States Army Audit Agency," December 16, 2020

The Naval Audit Service conducted an external peer review of the AAA non-SAP program for the 3-year period ended December 31, 2019, to determine whether the quality control system for the AAA complied with applicable professional standards in all material respects. The AAA received an external peer review rating of pass.

Report No. P2021-0002, “Letter of Comments on the Fiscal 2020 External Quality Control Peer Review of the United States Army Audit Agency,” December 16, 2020

The Naval Audit Service conducted an external peer review of the AAA non-SAP program for the 3-year period ended December 31, 2019, to determine whether the quality control system for the AAA complied with applicable professional standards in all material respects. The Naval Audit Service issued the AAA an external peer review rating of pass, but identified findings and recommendations in its Letter of Comment that did not warrant inclusion in the Opinion Letter of its Peer Review Report.³

³ The Naval Audit Service does not use the term System Review Report. Instead, it uses the term Peer Review Report, which includes an Opinion Letter.

Acronyms

AAA Army Audit Agency

CIGIE Council of Inspectors General on Integrity and Efficiency

SAP Special Access Programs



Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

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