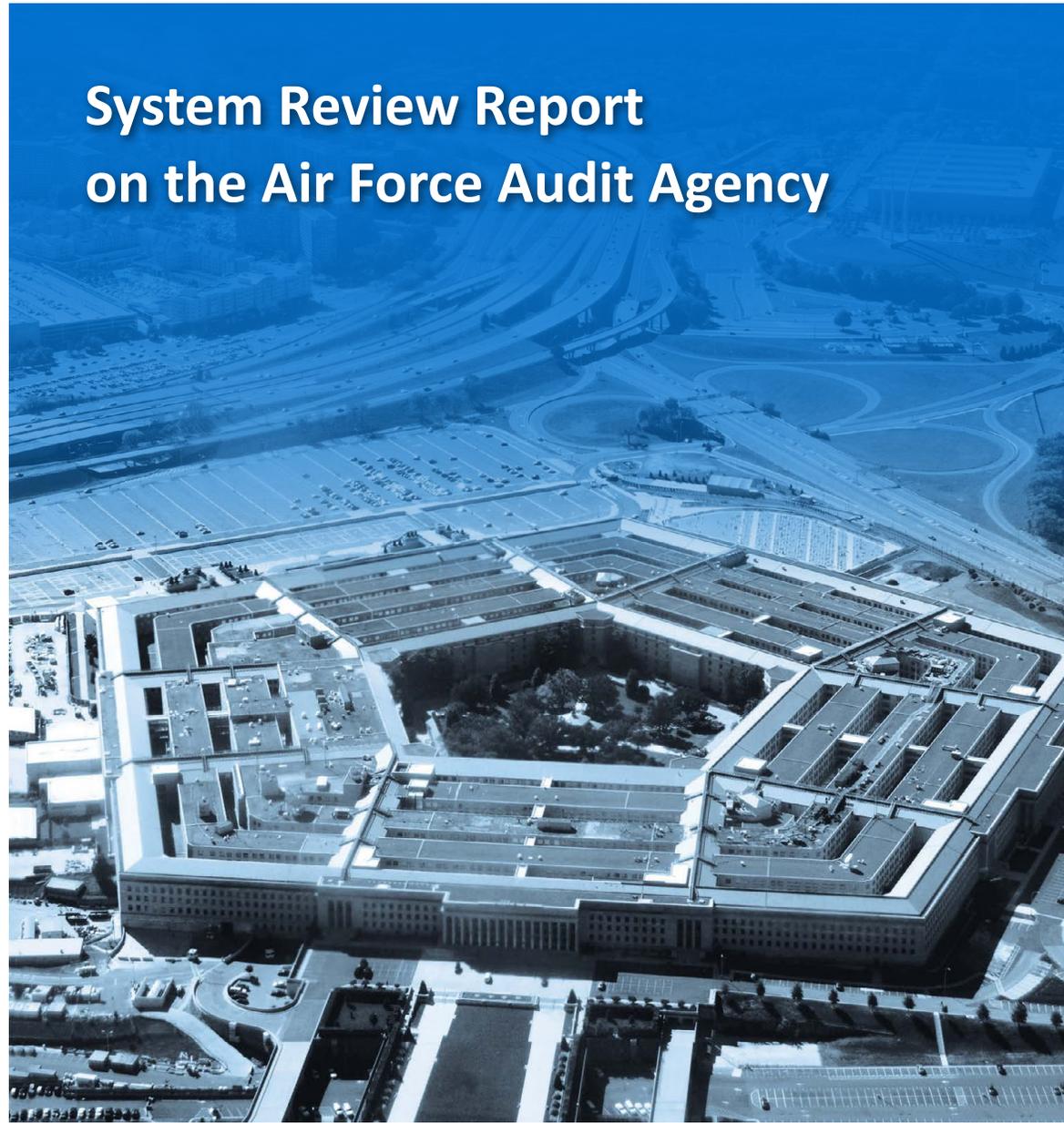




INSPECTOR GENERAL

U.S. Department of Defense

OCTOBER 12, 2018



System Review Report on the Air Force Audit Agency

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





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

October 12, 2018

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: System Review Report on the Air Force Audit Agency
(Report No. DODIG-2019-001)

Attached is the System Review Report on the Air Force Audit Agency. We conducted the review in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. The enclosure of the report identifies the scope and methodology.

We appreciate the cooperation and courtesies extended to our staff during the review. If you have any questions, please contact Ms. Carolyn R. Hantz at 703-604-8877 or e-mail at Carolyn.Hantz@dodig.mil.

A handwritten signature in black ink, appearing to read "Randolph R. Stone", is written over a horizontal line.

Randolph R. Stone
Deputy Inspector General
Policy and Oversight

Enclosure:
As stated





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

October 12, 2018

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: System Review Report on the Air Force Audit Agency
(Report No. DODIG-2019-001)

We reviewed the results, conclusions, and recommendations of the Air Force Audit Agency's peer review in coordination with our review of the Special Access Program audits that addressed the system of quality control for the Air Force Audit Agency in effect for the period ended December 31, 2016. We expanded our review of the Special Access Program audits to include one report issued in May 2017. A system of quality control encompasses the Air Force Audit Agency's organizational structure, policies adopted, and procedures established to provide it with reasonable assurance of conforming to *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*.

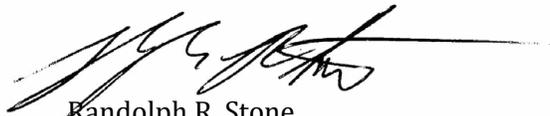
The Air Force Audit Agency is responsible for establishing and maintaining a system of quality control that is designed to provide it with reasonable assurance that the audit organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the Air Force Audit Agency's design of the system of quality control and compliance based on the Air Force Audit Agency's peer review and our quality control review of its Special Access Program audits.

We conducted our review in accordance with *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*. During the review, we along with the peer review team from the Naval Audit Service interviewed personnel and obtained an understanding of the nature of the Air Force Audit Agency organization and the design of its system of quality control sufficient to assess the risks implicit in its organization. The Naval Audit Service selected audits and attestation engagements, collectively referred to as "audits," and administrative files to test for conformity with professional standards and compliance with the Air Force Audit Agency's system of quality control. We assessed the adequacy of the procedures that the Naval Audit Service performed for the Air Force Audit Agency peer review. We believe that the procedures we performed provide a reasonable basis for our opinion. The enclosure identifies the scope and methodology.

In performing this review, we along with the Naval Audit Service, obtained an understanding of the system of quality control for the Air Force Audit Agency. In addition, we along with the Naval Audit Service tested compliance with the Air Force Audit Agency's quality control policies and procedures to the extent considered appropriate. These tests covered the application of the Air Force Audit Agency's policies and procedures on selected audits. The reviews were 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.

Inherent limitations exist 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.

In our opinion, the system of quality control for the Air Force Audit Agency in effect for the period ended December 31, 2016, has been suitably designed and complied with to provide management 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*. The Air Force Audit Agency received a rating of *pass*.



Randolph R. Stone
Deputy Inspector General
Policy and Oversight

Enclosure:
As stated

Enclosure

Scope and Methodology

We and the Naval Audit Service conducted quality control reviews in accordance with the standards and guidelines established in the September 2014 Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. In addition, we conducted the reviews of Special Access Program audits in accordance with the CIGIE *Quality Standards for Inspection and Evaluation*.

The Naval Audit Service reviewed 10 Air Force Audit Agency audit projects.

- 7 of 306 performance audits with a report issued between July 1, 2016, and December 31, 2016,
- 1 of 6 attestation engagements with a report issued between January 1, 2014, and December 31, 2016,
- 1 of 3 quality assurance reviews performed from January 1, 2014, through December 31, 2016, and
- 1 of 811 terminated audits performed from January 1, 2014, through December 31, 2016.¹

We performed procedures to assess the adequacy of the Naval Audit Service's review results and to ensure that CIGIE guidelines were consistently applied. We attended planning meetings and reviewed the memorandum of understanding, point papers, and checklists. We also reviewed the Naval Audit Service Report No. P2017-0001, "Opinion Letter on the Fiscal Year 2017 External Quality Control Peer Review of the Air Force Audit Agency," September 29, 2017, for this external peer review.

For our review of Special Access Program audits, we originally selected three of eight Air Force Audit Agency Special Access Program audit reports issued from January 1, 2015, through December 31, 2016. We received a Defense Hotline complaint in relation to one audit during the course of our review. The Defense Hotline complaint alleged noncompliance with *Government Auditing Standards*, including documentation, quality control, supervision, and independence. Therefore, we added the audit identified in the Defense Hotline complaint to our review.²

¹ All of the 811 audits identified as "terminated" were not announced, because the Air Force Audit Agency discontinued them very early on in the planning process. Moreover, the Air Force Audit Agency had no official terminated classification in the Air Force Audit Agency Management Information System. Many of those projects were part of Air Force Audit Agency's internal audit planning process and should not have been given a project number. Therefore, the Naval Audit Service recommended that the Air Force Audit Agency update its audit selection and audit number assignment process to ensure that only engagements viable beyond the planning stages are issued an audit project number.

² The report titles for the Special Access Program audits are classified; therefore, we did not list them in this report.

We issued Report No. DODIG-2018-158, “System Review Report on the Air Force Audit Agency’s Special Access Program Audits,” September 28, 2018, on the Special Access Program audits for the Air Force Audit Agency. The Air Force Audit Agency received an External Peer Review rating of *pass with deficiencies* for the peer review of their Special Access Program Audits. We identified deficiencies in the areas of professional judgment, supervision, audit documentation, and reporting. The rating of pass with deficiencies for the Air Force Audit Agency’s Special Access Program audits does not change the overall Air Force Audit Agency rating of pass, that was issued by the Naval Audit Service, because the number of Special Access Program audits conducted by the Air Force Audit Agency are not material when compared to the number of non-Special Access Program audits conducted by the Air Force Audit Agency.

Table 1 identifies the performance audit reports the Naval Audit Service reviewed.

Table 1. Air Force Audit Agency Performance Audit Reports Reviewed by the Naval Audit Service

Report Number	Report Date	Report Title
F-2016-0020-REE000	July 25, 2016	Office Supply Acquisitions, US Military Training Mission, Southwest Asia
F-2016-0004-L40000	September 19, 2016	Item-Level Secondary Inventory Control Activity Requirements
F-2017-0005-REE000	November 16, 2016	Real Property Management-Dormitory Utilization, 86th Airlift Wing
F-2017-0009-RWS000	December 1, 2016	Information Technology Equipment, 24th Air Force
F-2017-0008-REE000	December 6, 2016	Follow-Up Audit Local National Pay, 435th Air Ground Operations Wing
F-2017-0016-REM000	December 8, 2016	Follow-Up Audit Subsidized Transportation Benefits, 375th Air Mobility Wing
F-2017-0018-REM000	December 15, 2016	Pharmacy Operations, 375th Air Mobility Wing

Table 2 identifies the attestation engagement that the Naval Audit Service reviewed.

Table 2. Air Force Audit Agency Attestation Engagement Reviewed by the Naval Audit Service

Project Number	Title	Type
F-2017-REG000-0236.000	Utilities Privatization TRUAX Air National Guard	Agreed-Upon Procedure

Table 3 identifies the quality assurance review that the Naval Audit Service reviewed.

Table 3. Air Force Audit Agency Quality Assurance Review Reviewed by the Naval Audit Service

Report Number	Report Date	Title
F-2017-0001-A1300	December 13, 2016	Operations and Support Directorate Quality Assurance Review

Table 4 identifies the terminated project that the Naval Audit Service reviewed.

Table 4. Air Force Audit Agency Terminated Project Reviewed by the Naval Audit Service

Project Number	Title
F-2017-O30000-0002.000	Security at Off-Installation Locations



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703.604.8324

Media Contact

public.affairs@dodig.mil; 703.604.8324

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4800 Mark Center Drive
Alexandria, Virginia 22350-1500
www.dodig.mil
Defense Hotline 1.800.424.9098

