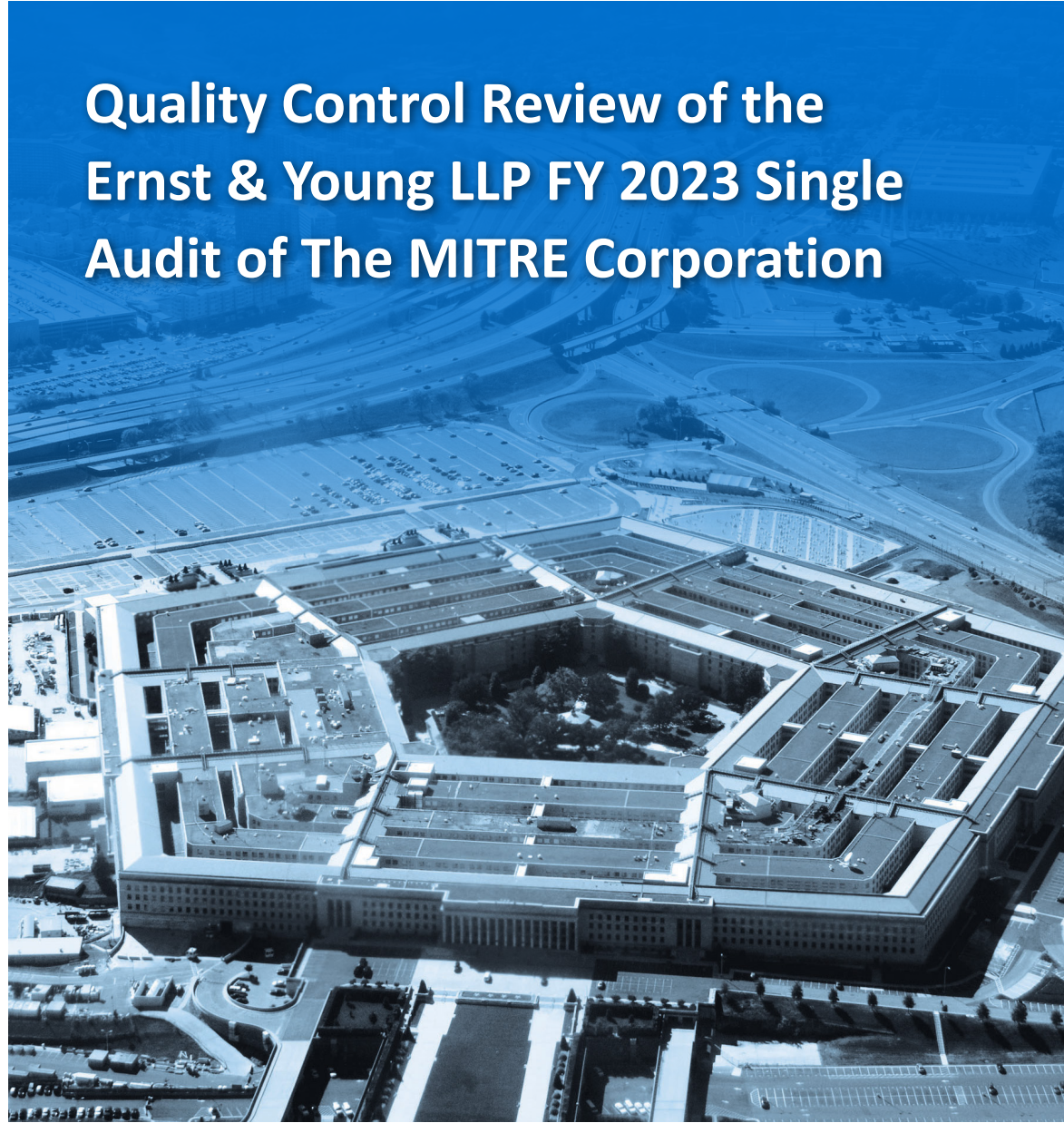




# INSPECTOR GENERAL

*U.S. Department of Defense*

JULY 23, 2025



## Quality Control Review of the Ernst & Young LLP FY 2023 Single Audit of The MITRE Corporation

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY







# Results in Brief

## *Quality Control Review of the Ernst & Young LLP FY 2023 Single Audit of The MITRE Corporation*

**July 23, 2025**

### **Objective**

The objective of this quality control review was to assess whether Ernst & Young LLP performed the FY 2023 single audit of The MITRE Corporation (MITRE) in accordance with generally accepted government auditing standards and Federal requirements for single audits. Appendix A contains our scope and methodology.

### **Background**

Non-Federal entities that expend Federal funds of \$750,000 or more in a fiscal year are subject to the Single Audit Act Amendments of 1996 (Single Audit Act), Pub. L. No. 104-156, and 2 C.F.R. Part 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” (Uniform Guidance). The Single Audit Act was enacted to promote sound financial management of Federal awards administered by non-Federal entities and to establish uniform requirements for audits of Federal awards. The Uniform Guidance establishes the standards for consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards.

MITRE is a not-for-profit corporation that provides systems engineering, research and development, and information technology support to the Federal government. MITRE operates six federally funded research and development centers sponsored by several Federal agencies, including the National Security Engineering Center, sponsored

### **Background (cont’d)**

by the DoD. In FY 2023, MITRE spent \$2.3 billion on Federal awards in one major program—the Research and Development Cluster. Of the \$2.3 billion, MITRE spent \$1.2 billion on DoD awards. Ernst & Young LLP performed MITRE’s FY 2023 single audit.

### **Review Results**

Ernst & Young LLP complied with generally accepted government auditing standards and Uniform Guidance requirements when it performed the FY 2023 single audit of MITRE.





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

July 23, 2025

Managing Director  
Ernst & Young LLP

SUBJECT: Quality Control Review of the Ernst & Young LLP FY 2023 Single Audit of  
The MITRE Corporation (Report No. DODIG-2025-130)

This final report provides the results of the DoD Office of Inspector General's quality control review. We are providing this report for information and use. This report does not contain recommendations. We coordinated a discussion draft of this report with Ernst & Young LLP representatives. They concurred with our report and provided no additional comments. Therefore, we are publishing this report in final form.

We appreciate the cooperation and assistance received during this review. If you have any questions, please contact [REDACTED]

A handwritten signature in black ink, appearing to read "Randolph R. Stone", is positioned above the printed name.

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

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# Introduction

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## Objective

The objective of this quality control review was to assess whether Ernst & Young LLP (EY) performed the FY 2023 single audit of The MITRE Corporation (MITRE) in accordance with generally accepted government auditing standards (GAGAS) and Federal requirements for single audits.<sup>1</sup> Appendix A contains our scope and methodology. Appendix B lists the compliance requirements that the EY auditors identified as direct and material to MITRE's major program for the fiscal year that ended December 31, 2023.

## Background

Non-Federal entities that expend Federal funds of \$750,000 or more in a fiscal year are subject to the Single Audit Act Amendments of 1996 (Single Audit Act), Pub. L. No. 104-156, and 2 C.F.R. Part 200, "Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance).<sup>2</sup> The Single Audit Act was enacted to promote sound financial management of Federal awards administered by non-Federal entities and to establish uniform requirements for audits of Federal awards. The Uniform Guidance establishes the standards for consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards.

The Uniform Guidance, effective January 1, 2023, states that non-Federal entities that expend Federal funds of \$750,000 or more in a fiscal year must have an annual single or program-specific audit performed in accordance with GAGAS. Non-Federal entities must also submit a complete single audit reporting package to the Federal Audit Clearinghouse.<sup>3</sup> A single audit includes an audit of the non-Federal entity's financial statements and Federal awards. Auditors performing a single audit determine whether the financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles. In addition, the auditors determine whether the non-Federal entity complied with

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<sup>1</sup> Government Accountability Office Report No. GAO-21-368G, "Government Auditing Standards," July 2018 (Updated April 2021). GAGAS incorporates by reference the American Institute for Certified Public Accountants' "Codification of Statements on Auditing Standards." Subpart F of 2 C.F.R. Part 200 identifies the Federal requirements for single audits.

<sup>2</sup> On April 22, 2024, the Office of Management and Budget revised the Uniform Guidance and increased the threshold for the single audit requirement from \$750,000 to \$1,000,000. The effective date for the Office of Management and Budget's final guidance was October 1, 2024, and applies to fiscal periods starting on or after this date.

<sup>3</sup> The reporting package includes the non-Federal entity's audit reports, financial statements, schedule of expenditures of Federal awards, summary schedule of prior audit findings, and a corrective action plan, as 2 C.F.R. 200.512(c) requires. The Office of Management and Budget designated the Federal Audit Clearinghouse as the repository of record for single audit reports. As 2 C.F.R. 200.512(g) requires, the Federal Audit Clearinghouse maintains a database of completed audits, provides appropriate information to Federal agencies, and performs follow-up with auditees that have not submitted the required information.

Federal laws and regulations and the terms and conditions of Federal awards that may have a direct and material effect on its major programs. The Single Audit Act and Uniform Guidance require Federal agencies to assess the quality of single audits. Our quality control review of the MITRE FY 2023 single audit satisfies this requirement.

### ***The MITRE Corporation***

MITRE is a not-for-profit corporation that provides systems engineering, research and development, and information technology support to the Federal government. MITRE operates six federally funded research and development centers sponsored by several Federal agencies, including the National Security Engineering Center, sponsored by the DoD.<sup>4</sup> In FY 2023, MITRE spent \$2.3 billion on Federal awards in one major program—the Research and Development (R&D) Cluster.<sup>5</sup> Of the \$2.3 billion, MITRE spent \$1.2 billion on DoD awards. MITRE engaged EY to perform the FY 2023 single audit.

### ***Ernst & Young LLP Performed the Single Audit***

EY is a member firm of Ernst & Young Global Limited, which provides assurance, consulting, and tax services to a wide range of clients. As GAGAS requires, EY is responsible for establishing and maintaining a system of quality control. The system of quality control must provide reasonable assurance that the audit organization and its personnel comply with professional standards and applicable legal and regulatory requirements.<sup>6</sup> EY must also obtain an external peer review of its system of quality control conducted by reviewers independent of the audit organization.<sup>7</sup> The most recently published external peer review report concluded that EY suitably designed and complied with its system of quality control for its accounting and auditing practice.<sup>8</sup> Auditors in the EY office in Tysons, Virginia, performed the FY 2023 single audit of MITRE.

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<sup>4</sup> According to Federal Acquisition Regulation 2.101, “Definitions,” federally funded research and development centers are “activities that are sponsored under a broad charter by a Government Agency (or agencies) for the purpose of performing, analyzing, integrating, supporting, and/or managing basic or applied research and/or development, and that receive 70 percent or more of their financial support from the Government...”

<sup>5</sup> The Research and Development Cluster consists of a variety of research and development activities performed under different types of funding agreements, such as grants, cooperative agreements, and contracts, that have similar requirements.

<sup>6</sup> Government Auditing Standard 5.02, “Quality Control and Assurance,” July 2018 (Updated April 2021).

<sup>7</sup> Government Auditing Standard 5.60, “External Peer Review,” July 2018 (Updated April 2021).

<sup>8</sup> Grant Thornton LLP, “Report on the Firm’s System of Quality Control,” May 1, 2023.



## Review Results

We determined that EY complied with GAGAS and Uniform Guidance requirements when it performed the FY 2023 single audit of MITRE. We used the Council of the Inspectors General on Integrity and Efficiency’s 2021 edition of the “Guide for Quality Control Reviews of Single Audit Reports” to perform our review. This guide identifies audit procedures that auditors must perform and document during the single audit to meet GAGAS and Uniform Guidance requirements. We reviewed EY’s audit documentation, analyzed the nature and extent of EY’s audit procedures, and verified whether EY obtained sufficient evidence to support its conclusions and audit report opinion. Specifically, we verified whether EY complied with the requirements for each of the following aspects of the FY 2023 single audit of MITRE.

- Qualification of auditors
- Auditor independence
- Due professional care
- Planning and supervision
- Audit follow-up
- Determination of direct and material compliance requirements
- Internal control and compliance testing
- Schedule of expenditures of Federal awards
- Reporting

## Appendix A

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### Scope and Methodology

We conducted this quality control review from December 2024 through July 2025 in accordance with the “Quality Standards for Inspection and Evaluation,” published in December 2020 by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that we adequately plan the quality control review to ensure that objectives are met and that we perform the review to obtain sufficient, competent, and relevant evidence to support the findings, conclusions, and recommendations. We believe that the evidence we obtained was sufficient, competent, and relevant to lead a reasonable person to sustain the conclusions.

The Office of Management and Budget designated the Federal Audit Clearinghouse as the repository of record for single audit reports. The Federal Audit Clearinghouse received MITRE’s FY 2023 single audit report on May 13, 2024. The single audit report identified one major program at MITRE—the R&D Cluster. We reviewed the FY 2023 single audit of MITRE using the Council of the Inspectors General on Integrity and Efficiency’s “Guide for Quality Control Reviews of Single Audit Reports” and focused our review on the following aspects of the single audit.

- Qualification of auditors
- Auditor independence
- Due professional care
- Planning and supervision
- Audit follow-up
- Determination of direct and material compliance requirements
- Internal control and compliance testing
- Schedule of expenditures of Federal awards
- Reporting

We reviewed EY’s audit files for the FY 2023 single audit to assess whether the auditors conducted the single audit in accordance with GAGAS and Uniform Guidance requirements. GAGAS incorporates the American Institute of Certified Public Accountants’ “Codification of Statements on Auditing Standards” by reference. Title 2 C.F.R. Part 200 identifies the Uniform Guidance requirements for single audits.

Our review included:

- evaluating evidence of EY's independence, auditor qualifications, and latest external peer review;
- reviewing the audit documentation that the EY auditors prepared to support the audit opinions on whether MITRE's financial statements and its schedule of expenditures of Federal awards were fairly presented in all material respects;
- verifying that the EY auditors supported their determination on the compliance requirements they identified as direct and material to the major program; and
- reviewing all audit documentation that the EY auditors prepared to support the audit opinion on whether MITRE complied with the compliance requirements that could have a direct and material effect on the R&D Cluster.

In addition, our review of EY audit documentation on direct and material compliance requirements included analyzing audit procedures that the EY auditors performed to: (1) understand MITRE's internal controls, (2) select samples for testing, and (3) test the internal controls over and compliance with Federal requirements.

We visited the EY office located in Tysons, Virginia, and reviewed the audit files that the EY auditors prepared for the FY 2023 single audit of MITRE. In addition, we interviewed the EY auditors to understand and verify the audit work they performed. Appendix B lists the compliance requirements that the EY auditors identified as direct and material to MITRE's R&D Cluster for the fiscal year that ended December 31, 2023.

## **Use of Computer-Processed Data**

We did not use computer-processed data to perform this quality control review.

## **Prior Coverage**

No prior coverage was conducted on EY or MITRE during the last 5 years.

## Appendix B

### Compliance Requirements

The Compliance Supplement provides guidance to assist auditors in determining compliance requirements applicable to Federal programs.<sup>9</sup> The Compliance Supplement summarizes Federal requirements into 12 compliance requirements. For the R&D Cluster, the Compliance Supplement states that all compliance requirements are subject to the audit except for the Eligibility; Matching, Level of Effort, Earmarking; Program Income; and Reporting compliance requirements. Auditors who perform a single audit are required to determine which of the compliance requirements subject to the audit have a direct and material effect on the R&D Cluster and test those compliance requirements. The following table identifies the compliance requirements that the EY auditors determined were direct and material to the R&D Cluster.

*Table. Uniform Guidance Compliance Requirements That the EY Auditors Identified as Direct and Material to the Research and Development Cluster*

Uniform Guidance Compliance Requirements	Direct and Material
Activities Allowed or Unallowed	X
Allowable Costs/Cost Principles	X
Cash Management	X
Eligibility	
Equipment and Real Property Management	
Matching, Level of Effort, Earmarking	
Period of Performance	X
Procurement and Suspension and Debarment	X
Program Income	
Reporting	
Subrecipient Monitoring	
Special Tests and Provisions	X

Source: The DoD OIG, based on EY’s audit documentation.

<sup>9</sup> Title 2 C.F.R. Part 200, Appendix XI.

## Acronyms and Abbreviations

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<b>EY</b>	Ernst & Young LLP
<b>GAGAS</b>	Generally Accepted Government Auditing Standards
<b>R&amp;D</b>	Research and Development





## **Whistleblower Protection**

### **U.S. DEPARTMENT OF DEFENSE**

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