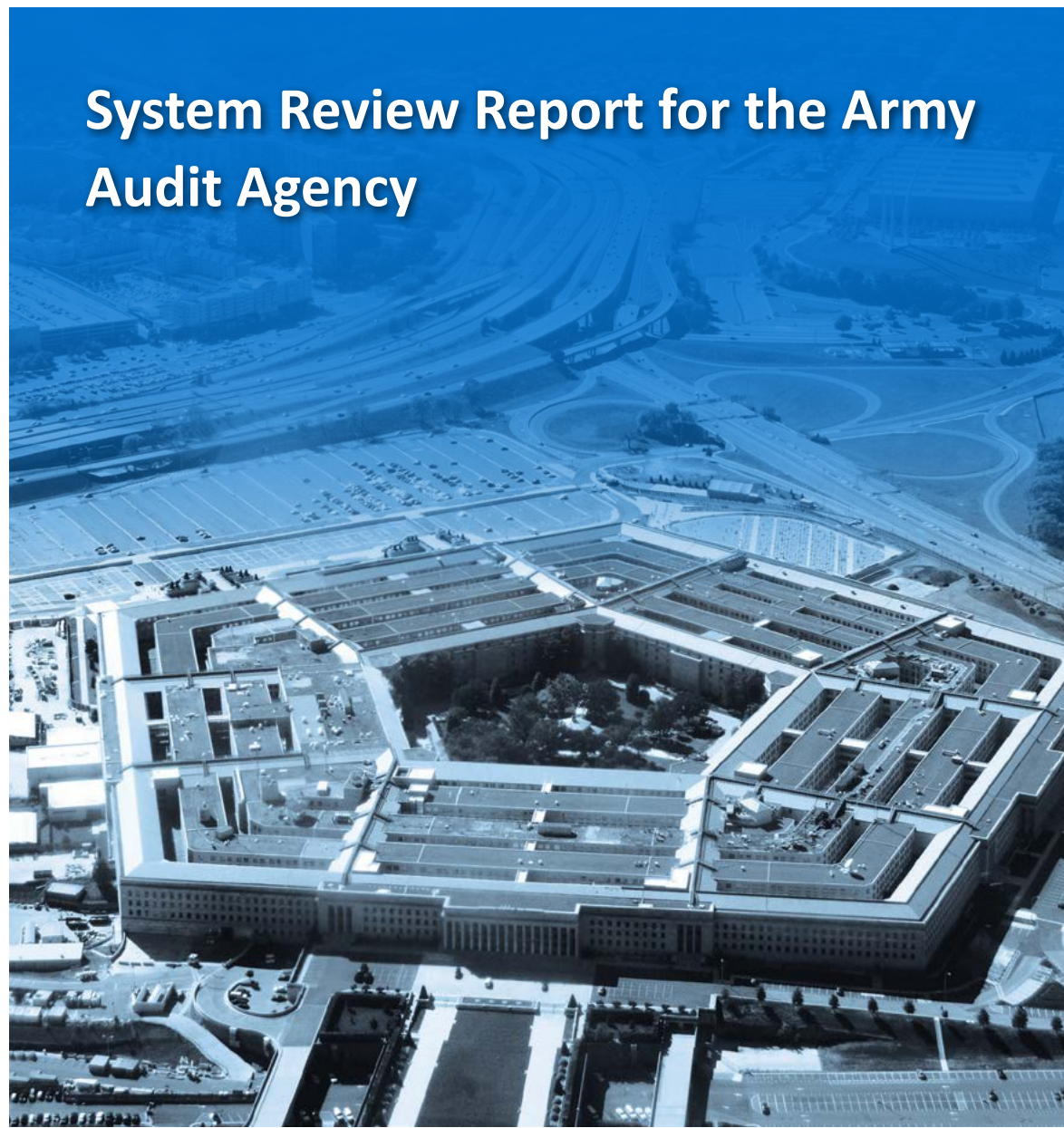




INSPECTOR GENERAL

U.S. Department of Defense

MARCH 7, 2018



System Review Report for the Army Audit Agency

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE



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

March 7, 2018

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: System Review Report for the Army Audit Agency
(Report No. DODIG-2018-083)

Attached is the System Review Report for the Army Audit Agency conducted 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*.

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

A handwritten signature in black ink, appearing to read "Randolph R. Stone", is located above the name and title.

Randolph R. Stone
Deputy Inspector General
Policy and Oversight

Attachment:

As stated



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

March 7, 2018

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

**SUBJECT: System Review Report for the Army Audit Agency
(Report No. DODIG-2018-083)**

We reviewed the results, conclusions, and recommendations of the Army Audit Agency peer review in coordination with our review of the Special Access Program (SAP) audits that addressed the system of quality control for the Army Audit Agency in effect for the year ended December 31, 2016 (Enclosure). A system of quality control encompasses the Army Audit Agency's organizational structure, policies adopted, and procedures established to provide it with reasonable assurance of conforming to *Government Auditing Standards* (GAS). The elements of quality control are described in GAS. The Army Audit Agency is responsible for establishing and maintaining a system of quality control that is designed to provide them reasonable assurance that their audit organization complies with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the Army Audit Agency's design of the system of quality control and compliance based on their peer review and our quality control review of its SAP audits.

We conducted our review in accordance with GAS 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 Air Force Audit Agency interviewed personnel and obtained an understanding of the nature of the design of the Army Audit Agency's system of quality control sufficient to assess the risks implicit in their audit functions. Based on these assessments, the Air Force Audit Agency selected audit and attestation engagements, collectively referred to as "audits," nonaudit services, and administrative files to test for conformity with professional standards and compliance with the Army Audit Agency's system of quality control. The audits selected represented a reasonable cross section of audits. Before concluding the review, we along with the Air Force Audit Agency assessed the adequacy of the scope of the External Peer Review procedures and met with the Army Audit Agency management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

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

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.

In our opinion, the system of quality control for the Army Audit Agency in effect for the year 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 Army Audit Agency received an External Peer Review rating of *pass*.

A handwritten signature in black ink, appearing to read 'Randolph R. Stone', with a stylized flourish at the end.

Randolph R. Stone
Deputy Inspector General
Policy and Oversight

Enclosure:

As stated

Enclosure

Scope and Methodology

We and the Air Force Audit Agency conducted the quality control review 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 SAP audits in accordance with the CIGIE *Quality Standards for Inspection and Evaluation*.

For FY 2017, the Air Force Audit Agency reviewed ten Army Audit Agency audit projects. Specifically, the Air Force Audit Agency reviewed:

- 5 of 61 performance audits issued between July 1, 2016, and December 31, 2016,
- 5 of 9 attestation engagements issued between January 1, 2016, and December 31, 2016,
- 2 of 5 nonaudit services performed from January 1, 2014, through December 31, 2016,
- 1 of 21 quality assurance reviews performed from January 1, 2014, through December 31, 2016, and
- documentation for two audits that were terminated in 2016.

For the review of the Army Audit Agency's SAP audits, we judgmentally selected two of four SAP audits with reports issued during 2015 and 2016.¹

We performed procedures to provide a basis for reliance on the Air Force Audit Agency's review results and to ensure that the CIGIE guidelines were consistently applied. We attended planning meetings and reviewed memorandums of agreement, point papers, checklists, peer reviews, and quality control reviews from the last reviews performed in FY 2014 for implementation of suggested actions or recommendations.

We issued Report No. DODIG-2017-091, "External Peer Review Report on the Army Audit Agency Special Access Program Audits," June 9, 2017, for the SAP audits for the Army Audit Agency. In addition, we also reviewed Air Force Audit Agency Report No. F2017-0001-A130000, "Opinion Report on the 2017 External Quality Control Peer Review of the Army Audit Agency," September 20, 2017, for this external peer review.

¹ The report titles for the SAP audits are classified; therefore, we did not list them in this report

Table 1 identifies the performance audit reports that the Air Force Audit Agency reviewed.

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

Report Number	Report Date	Report Title
A-2016-0144	September 28, 2016	Close Combat Tactical Trainers
A-2017-0002-IEP	October 13, 2016	Audit of the Army's Implementation of Fort Hood Recommendations-- Behavioral Health
A-2016-0129-ALA	August 24, 2016	Audit of Equipment Fielding for the U.S. Army National Guard
A-2016-0116-IET	July 27, 2016	Defense Research and Engineering Network Security
A-2017-0012-ALS	November 29, 2016	Performance-Based Logistics (PBL) Support Strategy Howitzer

Table 2 identifies the attestation engagements that the Air Force Audit Agency reviewed.

Table 2. Army Audit Agency Attestation Engagements Reviewed by the Air Force Audit Agency

Project Number	Title	Type
A-2015-FMI-0182.000	Independent Auditor's Report on the Attestation Review of Intelligence Processing, Exploitation, and Dissemination Controls	Review
A-2015-FMF-0195.001 (Scope Limited to Fieldwork and Reporting Standards)	Examination of Federal Financial Management Improvement Act Compliance-Requirements Baseline, Guard Incentive Management System	Examination
A-2016-FMR-0168.000 (Scope Limited to Fieldwork and Reporting Standards)	Attestation Review of the FY 16 Army Managers' Internal Control Program	Review
A-2015-IEO-0221.000 (Scope Limited to Fieldwork and Reporting Standards)	Agreed-Upon Procedures Attestation Review of Selected Controls for Fort Hunter Liggett, Family and Morale, Welfare and Recreation Operations	Agreed-Upon Procedures
A-2015-FMF-0186.000 (Scope Limited to Fieldwork and Reporting Standards)	Independent Auditor's Report for FY 15 American Red Cross Financial Statements	Review

Table 3 identifies the nonaudit services that the Air Force Audit Agency reviewed.

Table 3. Army Audit Agency Nonaudit Services Reviewed by the Air Force Audit Agency

Report/Project Number ²	Title
Project No. A-2014-IEF-0099.000	CID Request-Downrange Entitlements
Report No. A-2015-0071-FMX	Review of Army GSA Advantage Purchases

Table 4 identifies the quality assurance review that the Air Force Audit Agency reviewed.

Table 4. Army Audit Agency Quality Assurance Review Reviewed by the Air Force Audit Agency

Report Number	Title
Q-2014-0002-ZBO	Quality Assurance Postaudit Review of the Audit of Commercial Off-the-Shelf Software Sustainment Costs in Weapon Systems

Table 5 identifies the terminated projects that the Air Force Audit Agency reviewed.

Table 5. Army Audit Agency Terminated Projects Reviewed by the Air Force Audit Agency

Project Number	Title
A-2016-ALC-0067.000	Audit of Contract Offloading
A-2016-MTT-0150.000	Audit of Reserve Components Man Days

² There was no report number listed on the product issued by the Army Audit Agency; therefore we are listing the project number.

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U.S. DEPARTMENT OF DEFENSE

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Congressional Liaison

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

