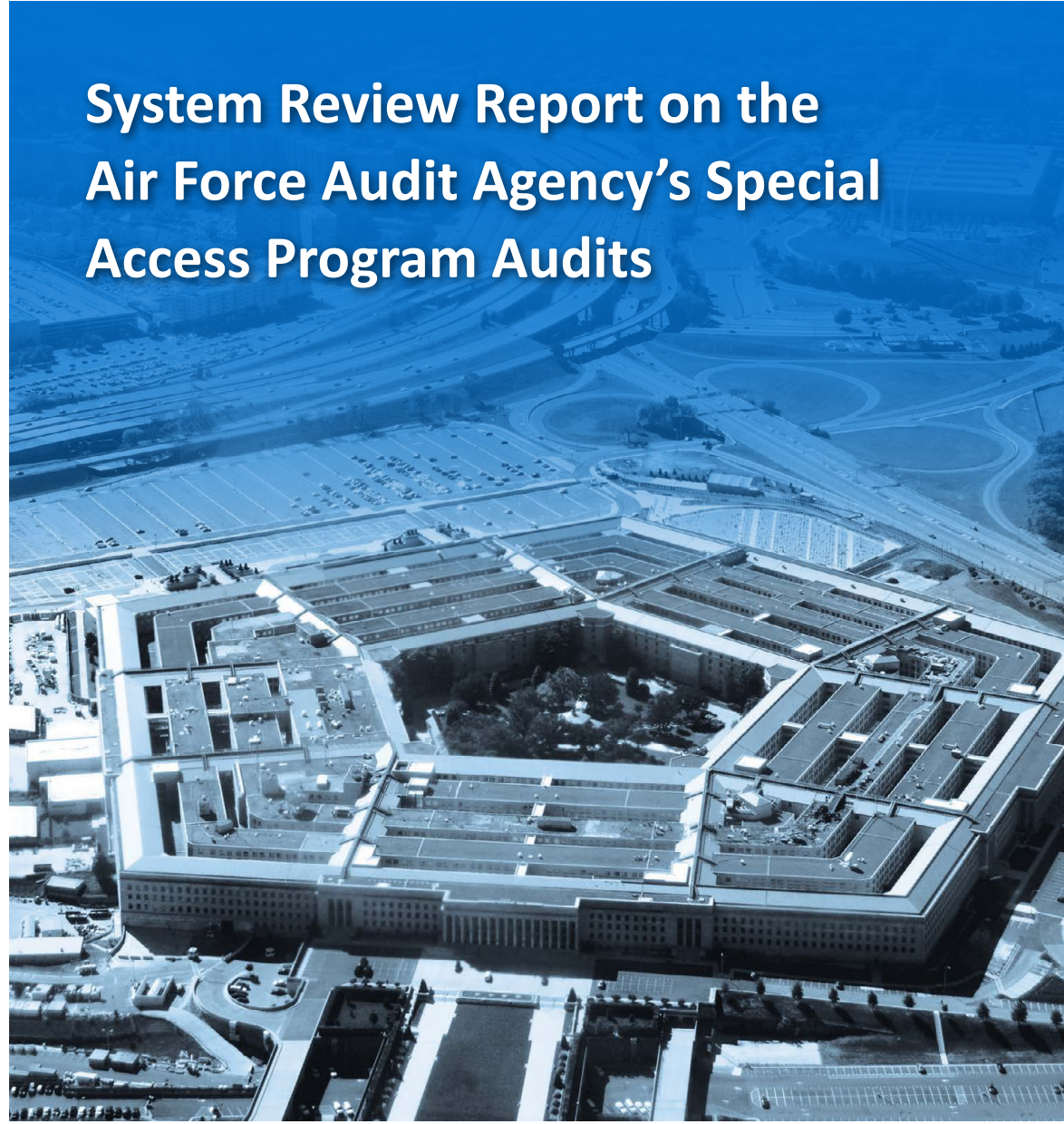




# INSPECTOR GENERAL

*U.S. Department of Defense*

SEPTEMBER 28, 2018



## System Review Report on the Air Force Audit Agency's Special Access Program Audits

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





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

September 28, 2018

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: System Review Report on the Air Force Audit Agency's Special Access Program Audits (Report No. DODIG-2018-158)

We are providing this report for your information and use. We conducted this peer review from June 2017 through July 2018 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*.

Enclosure 1 of the report identifies the scope and methodology for this review. We considered management comments on a draft of this report when preparing the final report. Enclosure 2 contains the management comments on the report. Comments from the Air Force Auditor General addressed all specifics of the recommendations and conformed to the requirements of DoD Instruction 7650.03; therefore, we do not require additional comments.

If you have any questions, please contact Carolyn R. Hantz at (703) 604-8877 (DSN 664-8877) or e-mail at [Carolyn.Hantz@dodig.mil](mailto:Carolyn.Hantz@dodig.mil). We appreciate the cooperation and assistance received during the peer review.

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

Randolph R. Stone  
Deputy Inspector General  
Policy and Oversight

Enclosures:  
As stated





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

September 28, 2018

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: System Review Report on the Air Force Audit Agency's Special Access Program Audits (Report No. DODIG-2018-158)

We reviewed the system of quality control for the Air Force Audit Agency Special Access Program audits in effect for the period ended December 31, 2016, and expanded our review to include one report issued in May 2017. The May 2017 report was added because we received a Defense Hotline complaint regarding adherence to *Government Auditing Standards* (GAS) that we believed could most appropriately be addressed by reviewing the audit as a part of this system review. A system of quality control encompasses the Air Force Audit Agency's organizational structure and policies adopted and procedures established to provide it with reasonable assurance of conforming to GAS. The elements of quality control are described in GAS.

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 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 design of the system of quality control and Air Force Audit Agency's compliance with standards and requirements for Special Access Program audits. We relied on Naval Audit Service's review of Air Force Audit Agency policy and procedures for assessment of compliance with GAS in relation to system design sufficiency. The Naval Audit Service issued a pass opinion in their review of the Air Force Audit Agency quality control system for 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 our review, we obtained an understanding of the nature of the Air Force Audit Agency's organization and the design of its system of quality control sufficient to assess the risks implicit for its Special Access Program Audits. We selected Special Access Program audits and administrative files to test for conformity with professional standards and compliance with the Air Force Audit Agency's system of quality control. Before concluding the peer review, we discussed the results of the peer review with Air Force Audit Agency management. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for Air Force Audit Agency's Special Access Program audits. In addition, we tested compliance with the Air Force Audit Agency's quality control policies and procedures to the extent that we considered appropriate. These tests covered the application of the Air Force Audit Agency policies and procedures on the Special Access Program audits we selected to review. The enclosure of the report identifies the scope and methodology including the audit reports selected for review and our review of the Air Force Audit Agency's quality assurance review.

Our review was 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.

In our opinion, except for the deficiencies described in the report, the system of quality control for the Air Force Audit Agency's Special Access Program audits in effect for the period ending December 31, 2016, has been suitably designed and complied with. In addition, the system of quality control provides Air Force Audit Agency with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material aspects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. Air Force Audit Agency has received a rating of *pass with deficiencies* for its Special Access Program audits.

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. As a result, we plan to issue a rating of pass for the overall Air Force Audit Agency peer review.

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 and procedures may deteriorate.

## Supervision

### ***Deficiency 1. Air Force Audit Agency Special Access Program Audit Supervisors Did Not Perform Adequate Supervisory Reviews of Audit Documentation***

Air Force Audit Agency supervisors did not properly document their review of audit documentation and did not review documentation timely.

GAS 6.54 states that audit supervision involves providing sufficient guidance and direction to staff assigned to the audit to address the audit objectives and follow applicable requirements while staying informed about significant problems encountered, reviewing the work performed, and providing effective on-the-job training.

Air Force Audit Agency Instruction 65-103, "Audit Management and Administration," September 16, 2011, states that supervision involves directing the efforts of auditors involved in the audit to verify they accomplish the audit objectives. Elements of supervision include instructing staff members, keeping informed of significant problems encountered, reviewing the work performed, and providing effective on-the-job-training. This instruction also states that team chiefs and program managers must verify that working papers meet GAS, comply with Air Force Audit Agency policies and procedures, and fully support the audit results.<sup>1</sup> According to the instruction, the best way for them to accomplish this is through frequent working paper reviews.

Further, Air Force Audit Agency Instruction 65-101, "Installation Level Audit Procedures," November 19, 2010, states that:

Office chiefs are the second level supervisors for installation level audit projects. Office chiefs will approve audit starts, overall objectives, and project plans, and monitor audit progress and performance and approve requests for deviation from the approved project plan (for example, changes in project milestones, resources, or objectives).

In two of the four audits reviewed, we found that the supervisor did not approve the audit program for the project until well into the audit. For one of those audits, the auditor-in-charge requested the supervisor to review and approve the audit program several times. The auditor-in-charge documented the requests in the working papers. However, the supervisor did not approve the audit program until right before the draft report was issued. For the second audit, the supervisor did not approve the audit program until the first of the two draft audit reports was issued.

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<sup>1</sup> Air Force Audit Agency Instruction 65-103 states that team chiefs and program managers are responsible for verifying that working papers comply with GAS. However, in the Air Force Audit Agency Special Programs Division, the program director and program managers are responsible for reviewing audit working papers.

Further, for a third audit reviewed the supervisor did not approve the audit program. We found that three supervisors were assigned to this audit, and none followed Air Force Audit Agency procedures for reviewing audit documentation. For example, we identified the following instances when supervisors did not follow Air Force Audit Agency procedures.

- The audit was announced in August 2014. The first supervisor assigned to the audit did not review and approve the audit program. In addition, the supervisor did not review all the working papers before leaving the Air Force Audit Agency.
- The second supervisor was assigned to the audit in January 2015. This supervisor issued a draft report on February 22, 2016, without reviewing and approving the audit working papers, ensuring that the report was referenced, and ensuring the references were independently reviewed by an auditor not assigned to the audit.<sup>2</sup>
- By August 2016, another supervisor was assigned to this audit. This supervisor reviewed and approved working papers in one day in September 2016. In addition, this supervisor issued a second draft report in February 2017, without ensuring that the draft had been referenced or that the references had been independently reviewed.

In addition, for this audit we identified that of 232 hard copy working papers prepared,

- 25 (11%) of the working papers were reviewed more than 2 years after the date of preparation;
- 14 (6%) of the working papers were reviewed about a year after the date of preparation;
- 38 (16%) working papers were reviewed about 7 months after the date of preparation; and
- 13 (6%) of the working papers were not reviewed at all.

Some of the issues occurred due to a turnover in audit supervisors. Nevertheless, the Air Force Audit Agency could have taken additional measures during these supervisor transitions to mitigate the deficiencies that we found.

The Air Force Audit Agency initiated a new supervisory review process for Special Access Program audits by placing additional audit supervisors in charge of the field offices. We reviewed audits that were issued before the new supervisory review process took effect. In addition, the Program Director stated that the Air Force Audit Agency is also working to automate Special Access Program working papers so that the program managers and the program director can review working papers remotely.

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<sup>2</sup> Air Force Audit Agency Instruction 65-101 states that the auditor will thoroughly cross reference the office chief approved draft and provide the cross referenced draft report to the assigned independent referencing reviewer. Independent referencing review is a review of the draft report and working paper files by a person not associated with the audit to verify that the report is accurate and documentary evidence supports specific statements of fact.



## Recommendations, Management Comments, and Our Response

### **Recommendation 1**

**We recommend that the Air Force Auditor General establish a quality control plan to review a sample of audits completed after the new supervisory review process took effect to evaluate the timeliness and completeness of supervisory reviews of audit documentation as required by *Government Auditing Standards*.**

#### *Air Force Auditor General Comments*

The Auditor General agreed, stating that the Air Force Audit Agency issued Memorandum 18-19, “Updated Interim Supervision Procedures in Response to Fiscal Year 2017 External Peer Review,” on July 17, 2018, which addressed supervisory reviews of audit documentation. The Auditor General stated that this guidance was included in the Air Force Audit Agency’s revision of Air Force Audit Agency Instruction 65-101, “Audit Service Execution,” which is currently in coordination at Air Staff. He further stated that the Air Force Audit Agency plans to incorporate an evaluation of the timeliness and completeness of supervisory reviews in its calendar year 2019 Quality Assurance Plan. This action is expected to be completed by January 31, 2019.

#### *Our Response*

Comments from the Auditor General addressed all specifics of the recommendation, and no further comments are required. Therefore, the recommendation is resolved, but remains open. We will close the recommendation once we verify that the calendar year 2019 Quality Assurance Plan incorporates an evaluation of the timeliness and completeness of supervisory reviews of audit documentation.

## Audit Documentation

### **Deficiency 2. Air Force Audit Agency Special Access Program Auditors Did Not Adequately Document Support for Reports**

Air Force Audit Agency Special Access Program auditors did not adequately document support of reports.

GAS 6.79 states that auditors must prepare audit documentation related to planning, conducting, and reporting for each audit. Further, auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed, the audit evidence obtained, and the source of the evidence.

Air Force Audit Agency Instruction 65-103, reiterates the requirements of GAS 6.79 and requires that audit documentation include evidence of supervisory review, before the report is issued, of the work performed that supports the audit results, conclusions, and recommendations.

For three of the four audits reviewed, we found issues with audit documentation in the project files.

For one audit reviewed, the Air Force Audit Agency issued two draft reports that were significantly different from each other. Specifically, auditors issued a draft report and received informal management comments. According to the comments, management did not agree with findings. However, the auditors did not document an evaluation of the informal management comments from the first draft report. Then, the auditors issued a second draft report that did not include two findings related to contract administration and ethics that were in the first draft report. The working papers lacked documentation as to why the second draft report was issued without all the original findings.

Finally, the auditors issued a final report in May 2017. However, the working papers did not include sufficient documentation to support facts added to the report. Specifically, the final report stated that another audit team would address the findings removed from the first draft report. The final report also stated the Air Force Office of Special Investigations was performing an investigation. However, the working papers did not support either of these statements. The Program Director stated that she has the documentation for removing the findings, but could not provide the documentation to us due to an Air Force Office of Special Investigations review. We obtained the case numbers from the Air Force Office of Special Investigations and verified that an investigation was ongoing.

For the second audit, auditors did not complete parts of the summary working papers. Air Force Audit Agency Instruction 65-103, states that auditors and audit managers are responsible for preparing, assembling, summarizing, and cross-referencing working papers for the planning and application phases of each assigned audit project. This instruction requires auditors to prepare summary working papers that summarize the data contained in the supporting working papers (audit program step conclusions, control assessments, schedules, and other related documents).

For a third audit reviewed, auditors did not document criteria in the working papers as required by GAS 6.79.

Finally, we found that two of the four audits reviewed did not have a cross-referenced audit report as required by Air Force Audit Agency Instruction 65-103. In addition, a third report was only partially cross-referenced. This made it difficult to determine whether the auditors adequately supported the information in the audit reports.

## Recommendations, Management Comments, and Our Response

### **Recommendation 2**

**We recommend that the Air Force Auditor General establish a quality control plan to review a sample of audits completed after June 2018 to evaluate the adequacy of audit documentation to support the findings, conclusions, and recommendations and the completeness of quality controls as required by *Government Auditing Standards*.**

#### *Air Force Auditor General Comments*

The Auditor General agreed, stating that the Air Force Audit Agency issued Memorandum 18-20, “Clarification of Quality Control Procedures,” on July 17, 2018, which addressed project quality control procedures, including the use of resources, such as checklists, to verify compliance with GAS. The Auditor General stated that this guidance was included in the Air Force Audit Agency’s revision of Air Force Audit Agency Instruction 65-101, “Audit Service Execution,” which is currently in coordination at Air Staff. He further stated that the Air Force Audit Agency also plans to incorporate an evaluation of the adequacy of audit documentation and completeness of quality controls in its calendar year 2019 Quality Assurance Plan. This action is expected to be completed by January 31, 2019.

#### *Our Response*

Comments from the Auditor General addressed all specifics of the recommendation, and no further comments are required. Therefore, the recommendation is resolved, but remains open. We will close the recommendation once we verify that the calendar year 2019 Quality Assurance Plan incorporates an evaluation of the adequacy of audit documentation and completeness of quality controls.

## Quality Control

### **Deficiency 3. Air Force Audit Agency Special Access Program Auditors Did Not Effectively Use Quality Control Procedures**

Air Force Audit Agency Special Access Program auditors did not effectively use quality control procedures.

GAS 3.91 states that audit organizations should establish policies and procedures for audit performance, documentation, and reporting that are designed to provide the audit organization with reasonable assurance that audits are performed and reports are issued in accordance with professional standards and legal and regulatory requirements.

Air Force Audit Agency Instruction 65-105, "Internal Quality Control Program," November 19, 2010, states that the Air Force Audit Agency internal quality control program consists of four components. Those components are supervision, project quality control procedures, internal quality control reviews, and external quality control reviews.<sup>3</sup> In addition, Air Force Audit Agency Instruction 65-101 states that the auditor will cross-reference the office chief-approved draft report to the working papers.<sup>4</sup> When preparing working papers manually, the auditors are required to cross-reference the draft report to the manual working papers.

For three of the four audits, we found that the auditors did not follow procedures for cross-referencing and independently referencing Special Access Program audits.

- For one audit, auditors issued two draft reports and a final report without cross-referenced drafts.
- For a second audit, while the auditors stated there was a cross-referenced version of the report, the auditors could not locate the cross-referenced draft.
- For the third audit, the audit had a cross-referenced report, but the auditor did not fully complete the cross-referencing of the report. In addition, references to the audit documentation could not be easily located within the audit file.

In addition, Special Access Program auditors did not perform an independent referencing review of the four audit reports that we reviewed as required in Air Force Audit Agency Instruction 65-101. The instruction requires the auditors to perform an independent referencing review on the office chief-approved draft reports before releasing the report.

On June 15, 2017, Air Force Audit Agency issued a policy regarding independent referencing review waivers in response to an internal quality assurance report, Air Force Audit Agency Special Access Program Audits Quality Assurance Review, F2017-0003-A1300, December 13, 2016. The policy requires that an independent referencing review be completed for audits unless a waiver is obtained from the Program Director due to program sensitivity where no additional personnel could be cleared to a program or it is cost prohibitive to clear additional auditors to travel to the location to perform the independent referencing function.

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<sup>3</sup> Project quality control procedures are Air Force Audit Agency internal control processes established to ensure that auditors fully comply with GAS. The internal control processes include independent reference reviews.

<sup>4</sup> Air Force Audit Agency Instruction 65-101 states team chiefs and program managers are responsible for approving draft reports. However, in the Air Force Audit Agency Special Programs Division, the program director and program managers are responsible for reviewing and approving draft reports.

## Recommendations, Management Comments, and Our Response

### **Recommendation 3**

We recommend that the Air Force Auditor General establish a quality control plan to review Special Access Program auditors' adherence to quality procedures. The plan should include a review of draft report cross-referencing and independent referencing reviews on a sample of audits completed to evaluate compliance with *Government Auditing Standards* and appropriate use of the new independent referencing waiver process.

#### *Air Force Auditor General Comments*

The Auditor General agreed, stating that the Air Force Audit Agency issued Memorandum 18-21, "Clarification on Internal Policies and Procedures in Response to Fiscal Year 2017 External Peer Review," on July 17, 2018, which addressed quality control policies and procedures. The Auditor General stated that this guidance was included in the Air Force Audit Agency's revision of Air Force Audit Agency Instruction, 65-101, "Audit Service Execution," which is currently in coordination at Air Staff. He further stated that the Air Force Audit Agency plans to incorporate an evaluation of draft report cross-referencing and independent referencing reviews in its calendar year 2019 Quality Assurance Plan. This action is expected to be completed by January 31, 2019.

#### *Our Response*

Comments from the Auditor General addressed all specifics of the recommendation, and no further comments are required. Therefore, the recommendation is resolved, but remains open. We will close the recommendation once we verify that the calendar year 2019 Quality Assurance Plan incorporates an evaluation of draft report cross-referencing and independent referencing reviews.

## Professional Judgment

### **Deficiency 4. Air Force Audit Agency Special Access Program Auditors Did Not Exercise Professional Judgment in Some Instances**

For all four audits reviewed, auditors showed a lack of professional judgement when performing the audits. GAS 3.60 states that auditors must use professional judgment in planning and performing audits and in reporting results. GAS 3.64 states that using professional judgment is important to auditors in carrying out all aspects of their professional responsibilities.

The responsibilities include:

- complying with independence standards and related conceptual framework;
- maintaining objectivity and credibility;
- assigning competent staff to the audit;
- defining the scope of work;
- evaluating, documenting, and reporting the results of the work; and
- maintaining appropriate quality control over the audit process.

Air Force Audit Agency Instruction 65-103, states that auditors and supervisors must exercise professional judgment throughout the audit process.

We found deficiencies in supervision, audit documentation, and quality control for the four audits reviewed. The deficiencies led us to conclude that the audit staff, as a whole, did not exercise reasonable care when conducting the four audits reviewed. For example, for one audit, the audit supervisor issued a draft report without reviewing the audit documentation. In addition, the auditors did not reference or independently reference draft reports before issuance.

Further, for the audits reviewed, audit supervisors did not:

- review and approve audit programs prior to draft report issuance,
- thoroughly review working papers to ensure that audit documentation supported the report, and
- ensure that audit reports followed audit policy before issuance of audit reports.

In addition, audit supervisors did not use enough quality control procedures to determine that the information in the reports was supported. See Deficiencies 1, 2, and 3 in this report for more details.

## Recommendations, Management Comments, and Our Response

### ***Recommendation 4***

**We recommend that the Air Force Auditor General provide the Special Access Program audit staff with training on *Government Auditing Standards*, including supervision, evidence, reporting, documentation, and professional judgment.**

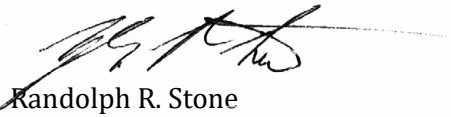
### ***Air Force Auditor General Comments***

The Auditor General agreed, stating that on August 21, 2018, the Policy, Oversight, and Systems Division Chief provided training to all Security and Special Programs Directorate personnel on GAS, including supervision, evidence, reporting, documentation, and professional judgment.

### *Our Response*

Comments from the Auditor General addressed all specifics of the recommendation, and no further comments are required. We verified that the August 21, 2018, training provided by the Policy, Oversight, and Systems Division Chief included supervision, evidence, reporting, documentation, and professional judgment. Therefore, the recommendation is closed.

As is customary, we have issued a letter of comment on September 28, 2018, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report. If you have any questions or would like to meet to discuss the report please contact Carolyn R. Hantz at (703) 604-8877 or e-mail at [Carolyn.Hantz@dodig.mil](mailto:Carolyn.Hantz@dodig.mil). We appreciate the cooperation and assistance received during the quality control review.



Randolph R. Stone  
Deputy Inspector General  
Policy and Oversight

Enclosure:  
As stated

# Enclosure 1

## Scope and Methodology

We conducted this peer review from June 2017 through July 2018. We tested compliance with the system of quality control to the extent we considered appropriate. These tests included a review of four Air Force Audit Agency Special Access Program audit reports. We performed this review in coordination with the Naval Audit Service's review of the Air Force Audit Agency's system of quality control. The Naval Audit Service issued its system review report on September 29, 2017, including a rating of pass on the Air Force Audit Agency system of quality control.

We originally selected three of eight Air Force Audit Agency Special Access Program audit reports issued from January 1, 2015, through December 31, 2016, for our review. We received a Defense Hotline complaint in relation to one audit during the course of our review. The Defense Hotline complaint alleged noncompliance with GAS, including documentation, quality control, supervision, and independence. Therefore, we added the audit identified in the Defense Hotline to our review. Air Force Audit Agency issued the report related to this Defense Hotline complaint in May 2017. The table identifies the four audits reviewed.

*Table. Audits Reviewed*

Report Number	Issue Date	Work Accomplished
F2015-0005-FA0900	July 20, 2015	August 2014-November 2014
F2016-0001-A00900	February 4, 2016	February 2014-October 2015
F2016-0003-A00900	June 9, 2016	February 2016-April 2016
F2017-0011-A00900	May 5, 2017	August 2014-May 2015

One of the audit reports we selected for this review, F2015-005-FA0900, was included as part of the Air Force Audit Agency Special Access Program Audits Quality Assurance Review, F2017-0003-A1300, December 13, 2016.

We reviewed the project files for the four audits to assess compliance with the Air Force Audit Agency's system of quality control for audits. We visited two Air Force Audit Agency audit offices to review the project files. We also reviewed the Air Force Audit Agency quality assurance review of their Special Programs Division, Report No. F2017-0003-A1300, December 13, 2016.





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

September 28, 2018

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Letter of Comment on the Air Force Audit Agency's Special Access Program Audits  
(Report No. DODIG-2018-158)

We reviewed the system of quality control for the Air Force Audit Agency's Special Access Program audits in effect for the period ended December 31, 2016, and issued our final report on September 28, 2018, in which Air Force Audit Agency received a rating of *pass with deficiencies* for its Special Access Program audits. The portion of this system review report that supports our rating of *pass with deficiencies* should be read in conjunction with the comments in this letter, which were not considered in determining our opinion. The following findings were not considered to be of sufficient significance to affect the opinion expressed in the report.

## **Sampling Methodology**

### ***Finding 1. Air Force Audit Agency Special Access Program Auditors Did Not Adequately Document Sampling Methodology***

The auditors did not adequately document sampling methodology for two of the four audit reports in the working papers or report.

Government Auditing Standards (GAS) 7.13 states that auditors should identify significant assumptions made in conducting the audit, describe comparative techniques applied, and describe the criteria used. When sampling significantly supports the auditors' findings, conclusions, or recommendations, auditors should describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population.<sup>5</sup>

Further, Air Force Audit Agency Instruction 65-101, "Installation Level Audit Procedures," November 19, 2010, requires the auditors to include the following paragraphs in the audit report:

- audit coverage,
- sampling methodology,
- data reliability, and
- auditing standards.

<sup>5</sup> The Air Force Audit Agency refers to sample design as sampling methodology.

Specifically, in one report reviewed, the sampling methodology relied on information from a document that did not clearly state the source of the information. The auditor documented in the working papers that the audit supervisor gave him the information, but the auditor could not verify the accuracy of the information used in the judgmental sample. Air Force Audit Agency also identified this issue in the sampling methodology section of its internal quality assurance review report, Air Force Audit Agency Special Access Program Audits Quality Assurance Review, F2017-0003-A1300, December 13, 2016. Further, in the second report reviewed, the report did not address the universe of the items reviewed in enough detail to determine how the auditors selected the sample.

## Recommendations, Management Comments, and Our Response

### **Recommendation 5**

**We recommend that Air Force Auditor General issue a memorandum to auditors to ensure that when auditors use sampling methodology, they test the reliability of the information and that the audit report addresses the universe (including the source of the information) and the methodology used for determining the sample.**

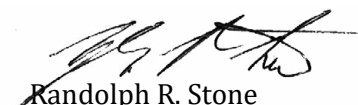
### *Air Force Auditor General Comments*

The Auditor General agreed with the recommendation, stating that the Auditor General issued a memorandum to auditors on September 7, 2018, to emphasize GAS for sampling methodology documentation.

### *Our Response*

Comments from the Auditor General addressed all specifics of the recommendation, and no further comments are required. We verified that the September 7, 2018, memorandum emphasized GAS for sampling methodology documentation. Therefore, the recommendation is closed.

If you have any questions or would like to meet to discuss the report please contact Carolyn R. Hantz at (703) 604-8877 or e-mail at [Carolyn.Hantz@dodig.mil](mailto:Carolyn.Hantz@dodig.mil). We appreciate the cooperation and assistance received during the quality control review.



Randolph R. Stone  
Deputy Inspector General  
Policy and Oversight

Enclosures:  
As stated

## Enclosure 2

### Management Comments

#### *Air Force Auditor General*



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON, DC

7 September 2018

MEMORANDUM FOR DOD OIG/DIG-P&O

FROM: SAF/AG  
1120 Air Force Pentagon, Suite 4E204  
Washington SC 20330-1120

SUBJECT: Management Comments to System Review Report of the Air Force Audit Agency's  
Special Access Program Audits (Project D2017-DAPOIA-0046.001)

1. The Air Force Audit Agency concurs with the audit results and recommendations for the System Review Report of the Air Force Audit Agency's Special Access Program Audits (Project D2017-DAPOIA-0046.001).
2. Our Policy, Oversight, and Systems Division issued clarifying guidance addressing issues identified in Peer Review. This guidance was included in our revision of Air Force Audit Agency Instruction 65-101, *Audit Service Execution*, which is currently in coordination at Air Staff. In addition, we will incorporate related evaluations in our calendar year 2019 Quality Assurance Plan.
3. If you have any questions, please have your staff contact [REDACTED].

  
DOUGLAS M. BENNETT  
The Auditor General

Attachment:  
Management Comments

## Air Force Auditor General (cont'd)

### ATTACHMENT 1 MANAGEMENT COMMENTS

**Recommendation 1.** We recommend that the Air Force Auditor General establish a quality control plan to review a sample of audits completed after the new supervisory review process took effect to evaluate the timeliness and completeness of supervisory reviews of audit documentation as required by *Government Auditing Standards*.

**Management Comment 1.** Concur. On 17 July 2018, we issued Memorandum 18-19, *Updated Interim Supervision Procedures in Response to Fiscal Year 2017 External Peer Review*, which addressed supervisory reviews of audit documentation. This guidance was included in our revision of Air Force Audit Agency Instruction 65-101, *Audit Service Execution*, which is currently in coordination at Air Staff. In addition, we will incorporate an evaluation of the timeliness and completeness of supervisory reviews in our calendar year 2019 Quality Assurance Plan. Estimated completion date: 31 January 2019

**Recommendation 2.** We recommend that the Air Force Auditor General establish a quality control plan to review a sample of audits completed after June 2018 to evaluate the adequacy of audit documentation to support the findings, conclusions, and recommendations and the completeness of quality controls as required by *Government Auditing Standards*.

**Management Comment 1.** Concur. On 17 July 2018, we issued Memorandum 18-20, *Clarification of Quality Control Procedures*, which addressed project quality control procedures to include the use of resources (i.e., checklists) to verify compliance with Government Auditing Standards documentation requirements. This guidance was included in our revision of Air Force Audit Agency Instruction 65-101, *Audit Service Execution*, which is currently in coordination at Air Staff. In addition, we will incorporate an evaluation of the adequacy of audit documentation and completeness of quality controls in our calendar year 2019 Quality Assurance Plan. Estimated completion date: 31 January 2019

**Recommendation 3.** We recommend that the Air Force Auditor General establish a quality control plan to review Special Access Program auditors' adherence to quality procedures. The plan should include a review of draft report cross-referencing and independent referencing reviews on a sample of audits completed to evaluate compliance with *Government Auditing Standards* and appropriate use of the new independent referencing waiver process.

**Management Comment 3.** Concur. On 17 July 2018, we issued Memorandum 18-21, *Clarification on Internal Policies and Procedures in Response to Fiscal Year 2017 External Peer Review*, which addressed quality control policies and procedures. This guidance was included in our revision of Air Force Audit Agency Instruction 65-101, *Audit Service Execution*, which is currently in coordination at Air Staff. In addition, we will incorporate an evaluation of draft report cross-referencing and independent referencing reviews in our calendar year 2019 Quality Assurance Plan. Estimated completion date: 31 January 2019

## ***Air Force Auditor General (cont'd)***

**Recommendation 4.** We recommend that the Air Force Auditor General provide the Special Access Program audit staff with training on Government Auditing Standards, including supervision, evidence, reporting, and documentation, and professional judgment.

**Management Comment 1.** Concur. On 21 August 2018, the Policy, Oversight, and Systems Division Chief provided training to all Security and Special Program Audits Directorate personnel on Government Auditing Standards, including supervision, evidence, reporting, documentation, and professional judgment. CLOSED: 21 August 2018

**Recommendation 5.** We recommend that the Air Force Auditor General issue a memorandum to auditors to ensure that when auditors use sampling methodology, they test the reliability of the information and that the audit report addresses the universe (including the source of the information) and the methodology used for determining the sample.

**Management Comment 5.** Concur. On 7 September 2018, the Auditor General issued a memorandum to auditors to emphasize Government Auditing Standards for sampling methodology documentation. CLOSED: 7 September 2018



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

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