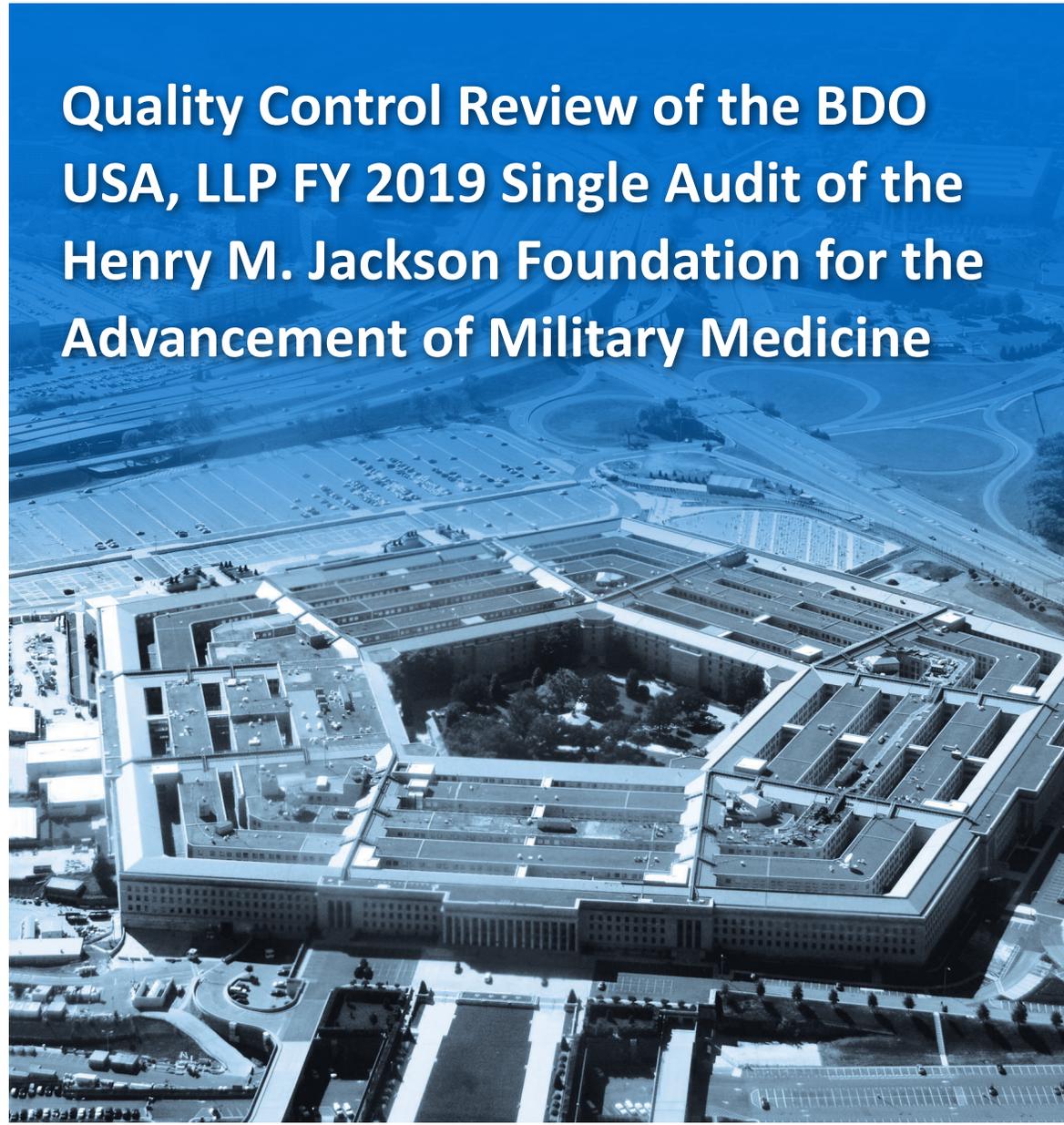


INSPECTOR GENERAL

U.S. Department of Defense

FEBRUARY 8, 2021



Quality Control Review of the BDO USA, LLP FY 2019 Single Audit of the Henry M. Jackson Foundation for the Advancement of Military Medicine

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





Results in Brief

Quality Control Review of the BDO USA, LLP FY 2019 Single Audit of the Henry M. Jackson Foundation for the Advancement of Military Medicine

February 8, 2021

Objective

The objective of this quality control review was to determine whether BDO USA, LLP (BDO) performed the FY 2019 single audit of the Henry M. Jackson Foundation for the Advancement of Military Medicine (the Foundation) in accordance with auditing standards and Federal requirements.

Background

Non-Federal entities that expend Federal funds of \$750,000 or more in a year are subject to Public Law 104-156, "Single Audit Act Amendments of 1996," (the Single Audit Act) and Title 2 Code of Federal Regulations part 200 (the Uniform Guidance) requirements. 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 sets forth the standards for obtaining consistency and uniformity in the audit of non-Federal entities expending Federal awards.

Background (cont'd)

The Foundation is a nonprofit organization authorized by Congress in May 1983 to support military medical research. During FY 2019, the Foundation expended \$476.9 million in Federal awards on one major program, the Research and Development Cluster. Of the \$476.9 million, \$267.5 million was expended for DoD programs within the Research and Development Cluster. The Foundation engaged BDO to perform the Foundation's FY 2019 single audit.

Review Results

BDO complied with auditing standards and Uniform Guidance requirements when it performed the FY 2019 single audit of the Foundation.





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

February 8, 2021

Assurance Partner
BDO USA, LLP

SUBJECT: Quality Control Review of the BDO USA, LLP FY 2019 Single Audit of the Henry M. Jackson Foundation for the Advancement of Military Medicine (Report No. DODIG-2021-052)

This final report provides the results of the DoD Office of Inspector General's quality control review. We considered management's comments on a discussion draft copy of this report when preparing this final report. We did not make any recommendations; therefore, no additional management comments are required.

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

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

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

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Introduction

Objective

The objective of this quality control review was to determine whether BDO USA, LLP (BDO) performed the FY 2019 single audit of the Henry M. Jackson Foundation for the Advancement of Military Medicine (the Foundation) in accordance with auditing standards and Federal requirements.¹ Appendix A contains our scope and methodology. Appendix B lists the compliance requirements that BDO identified as direct and material to the Foundation's fiscal year ended September 30, 2019.

Background

Non-Federal entities that expend Federal funds of \$750,000 or more in a year are subject to Public Law 104-156, "Single Audit Act Amendments of 1996," (the Single Audit Act) and Title 2 Code of Federal Regulations (CFR) part 200 (the Uniform Guidance) requirements. 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 sets forth the standards for obtaining consistency and uniformity in the audit of non-Federal entities expending Federal awards.² The audit requirements in the Uniform Guidance became applicable to audits of non-Federal entity fiscal years beginning on or after December 26, 2014.³

Non-Federal entities must have an annual single or program specific audit performed in accordance with Government Auditing Standards and must submit a complete reporting package to the Federal Audit Clearinghouse.⁴ The single audit includes an audit of the non-Federal entity's financial statements and Federal awards. The auditors performing the single audit determine whether the financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles. In addition, the auditors perform procedures on the non-Federal entity's internal controls over Federal programs and determine whether the non-Federal entity complied with Federal statutes, regulations, and the terms and conditions of Federal awards that may have a direct and material effect on each of the non-Federal entity's major programs. The Single

¹ Auditing standards include both the Government Accountability Office's "Government Auditing Standards" and the American Institute for Certified Public Accountants' "Codification of Statements on Auditing Standards."

² Office of Management and Budget, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," commonly referred to as the Uniform Guidance, implemented in 2 CFR part 200 (2019).

³ The effective date for the Uniform Guidance audit requirements is identified in 2 CFR, section 200.110(b).

⁴ The Federal Audit Clearinghouse is designated by the Office of Management and Budget as the repository of record for single audit reports and maintains a database of completed audits, provides appropriate information to Federal agencies, and performs followup with auditees that have not submitted the required information.

Audit Act and Uniform Guidance require Federal agencies to assess the quality of single audits. Our review of the Foundation's FY 2019 single audit satisfies this requirement.

Henry M. Jackson Foundation for the Advancement of Military Medicine Supports Programs that Benefit Military Members and Civilians

The Foundation is a nonprofit organization authorized by Congress in May 1983 to support military medical research.⁵ The Foundation administers, manages, and supports scientific programs that benefit members of the armed forces and civilians. During FY 2019, the Foundation expended \$476.9 million in Federal awards on one major program, the Research and Development Cluster.⁶ Of the \$476.9 million, \$267.5 million was expended for DoD programs within the Research and Development Cluster. The Foundation engaged BDO to perform the Foundation's FY 2019 single audit.

BDO Performed the Single Audit

BDO is the United States member of BDO International Limited and provides audit and assurance, tax, and advisory services to a wide range of publicly traded and privately held companies. As required by auditing standards, BDO is responsible for maintaining its own system of quality control over its accounting and auditing practice. The system must be designed to provide reasonable assurance that the audit organization and its staff comply with professional standards and legal and regulatory requirements. The audit organization must also have an external peer review of its system of quality control at least once every three years. BDO's external peer review report concluded that BDO suitably designed and complied with its system of internal quality control.⁷ The BDO office in McLean, Virginia, performed the Foundation's FY 2019 single audit.

⁵ Public Law 98-36, "Foundation for the Advancement of Military Medicine Act of 1983," May 27, 1983, authorized the establishment of a nonprofit corporation to be known as the Foundation for the Advancement of Military Medicine. Public Law 98-132, "Henry M. Jackson Foundation for the Advancement of Military Medicine. Designation," October 17, 1983, amended Section 178, Title 10, United States Code, renaming the Foundation for the Advancement of Military Medicine to the Henry M. Jackson Foundation for the Advancement of Military Medicine.

⁶ The Research and Development Cluster is made up 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.

⁷ Baker Tilly Virchow Krause, LLP completed the BDO external peer review on December 4, 2018.

Review Results

We determined that BDO complied with auditing standards and Uniform Guidance requirements when it performed the FY 2019 single audit of the Foundation. We used the Council of the Inspectors General on Integrity and Efficiency (CIGIE) “Guide for Quality Control Reviews of Single Audits” to complete our review. The CIGIE Guide identifies the requirements that auditors must perform and document during the audit. We reviewed the audit documentation, analyzed the nature and extent of the audit procedures performed, and verified that sufficient evidence was obtained to support the conclusions and the audit report opinion.

Appendix A

Scope and Methodology

We conducted our quality control review from July 2020 through January 2021 in accordance with the CIGIE “Quality Standards for Inspection and Evaluation,” published in January 2012. 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 evaluated the FY 2019 single audit of the Foundation performed by BDO using the current edition of the CIGIE “Guide for Quality Control Reviews of Single Audits” (2016 edition). We believe that the evidence we obtained was sufficient, competent, and relevant to lead a reasonable person to sustain the conclusions.

The Federal Audit Clearinghouse is designated by the Office of Management and Budget as the repository of record for single audit reports. The Federal Audit Clearinghouse received the Foundation single audit report on February 25, 2020. The report identified the Research and Development Cluster as the one major program at the Foundation. We focused our review on the following aspects of the single audit.

- Qualification of auditors
- Auditor independence
- Due professional care
- Planning and supervision
- Audit followup
- Internal control and compliance testing
- Schedule of expenditures of Federal awards
- Reporting

We conducted meetings with the BDO office located in McLean, Virginia; interviewed the BDO assurance partner; and reviewed the audit files that BDO prepared for the FY 2019 Foundation single audit to assess whether the audit was conducted in accordance with auditing standards and Uniform Guidance requirements. Auditing standards include both the Government Accountability Office’s “Government Auditing Standards” and the American Institute for Certified Public Accountants’ “Codification of Statements on Auditing Standards.” Uniform Guidance requirements for the single audit are identified in 2 CFR part 200.

Our review included evaluating evidence of the BDO auditor qualifications, independence, and quality assurance. We also reviewed all audit documentation that BDO prepared to support the audit opinions on whether the Foundation's financial statements and schedule of expenditures of Federal awards were presented fairly in all material respects, as well as whether the Foundation complied with the compliance requirements applicable to the major program, the Research and Development Cluster. We discussed the audit procedures performed with the BDO auditors as necessary to understand the audit work they performed.

Use of Computer-Processed Data

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

Prior Coverage

No prior coverage has been conducted on the Foundation or BDO during the last 5 years.

Appendix B

Compliance Requirements

The Compliance Supplement is issued by the Office of Management and Budget and provides guidance to assist auditors in determining compliance requirements applicable to the audit.⁸ The Compliance Supplement summarizes Federal requirements into 12 compliance requirements. For the Research and Development Cluster, the Compliance Supplement states that all compliance requirements are applicable, with the exception of the Eligibility; Matching, Level of Effort, and Earmarking; Program Income; and Reporting compliance requirements. The auditors are required to test those compliance requirements that are direct and material to the major program. See the table below for the compliance requirements that the BDO auditors determined were direct and material to the major program.

Table. Uniform Guidance Compliance Requirements that BDO Identified as Direct and Material to the Major Program

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	X
Matching, Level of Effort, Earmarking	
Period of Performance	X
Procurement, Suspension, and Debarment	X
Program Income	
Reporting	
Subrecipient Monitoring	X
Special Tests and Provisions	X

Source: The DoD OIG, based on BDO audit documentation

⁸ 2 CFR Part 200, Appendix XI, "Compliance Supplement," August 2019.

Acronyms and Abbreviations

CFR Code of Federal Regulations

CIGIE Council of the Inspectors General on Integrity and Efficiency



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U.S. DEPARTMENT OF DEFENSE

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