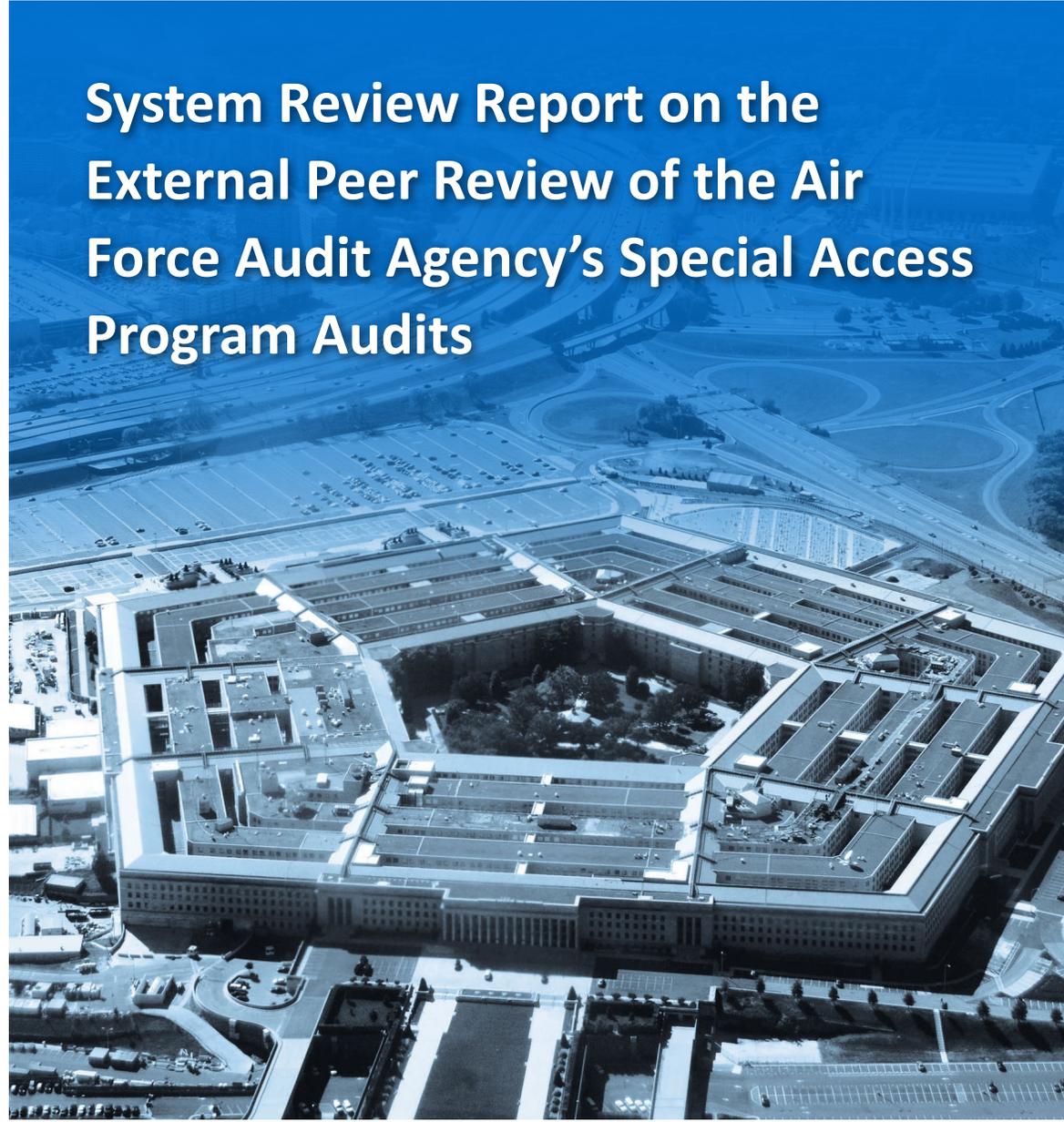


INSPECTOR GENERAL

U.S. Department of Defense

MARCH 8, 2021



System Review Report on the External Peer Review of 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**

March 8, 2021

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

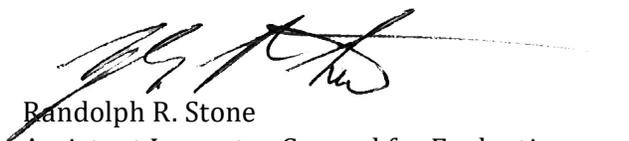
SUBJECT: System Review Report on the External Peer Review of the Air Force Audit Agency's Special Access Program Audits (Report No. DODIG-2021-060)

The final report provides the results of the DoD Office of Inspector General's review of the Air Force Audit Agency Special Access Program Audits. We previously provided the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. The comments are included in Enclosure 2 of the report.

The Air Force Auditor General agreed to, and addressed, all the recommendations presented in the report. Comments from the Auditor General conformed to the requirements of DoD Instruction 7650.03; therefore, we do not require additional comments.

If you have any questions or would like to meet to discuss the review, please contact

[REDACTED] We appreciate the cooperation and assistance received during the review.


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





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

March 8, 2021

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: System Review Report on the External Peer Review of the Air Force Audit Agency's Special Access Program Audits (Report No. DODIG-2021-060)

We reviewed the system of quality control for the Air Force Audit Agency (AFAA) Special Access Program (SAP) audits in effect for the 3-year period ended December 31, 2019. A system of quality control encompasses the audit structure, policies adopted, and procedures established to provide it with reasonable assurance of conforming in all material respects with the Government Auditing Standards and applicable legal and regulatory requirements. The elements of quality control are described in the Government Auditing Standards.

In our opinion, the system of quality control for the AFAA SAP audits in effect for the 3-year period ended December 31, 2019, has been suitably designed and complied with to provide the AFAA audit organization with reasonable assurance of performing and reporting in conformity in all material respects with applicable professional standards.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The AFAA audit organization has received a rating of *pass* for its SAP audits.

Letter of Comment

We have issued a Letter of Comment dated March 8, 2021, that sets forth findings we did not consider to be of sufficient significance to affect our opinion expressed in this report.

Basis of Opinion

We conducted our review in accordance with the Government Auditing Standards and the Council of Inspectors General on Integrity and Efficiency (CIGIE) "Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General," September 2014.¹

During our review, we interviewed AFAA SAP audit personnel assigned to the SAP audits selected for our review and obtained an understanding of the nature of the AFAA SAP audit organization and the design of its system of quality control sufficient to assess the risks implicit in its audit function for SAP audits. Based on our assessment, we selected 3 of the 25 SAP audits that the AFAA issued between September 4, 2018, and April 26, 2019.

¹ The July 2018 revision of the Government Auditing Standards is required for use on performance audits beginning July 1, 2019. The AFAA SAP performance audits we reviewed started before July 1, 2019. Accordingly, we used the September 2014 version of the CIGIE "Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General."

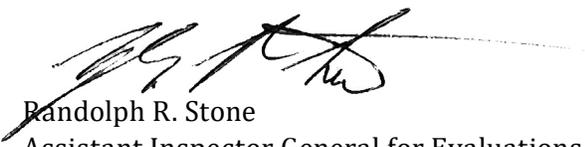
We tested the three audits for compliance with the Government Auditing Standards. The 3 audits we selected represent a reasonable cross-section of the universe of 25 SAP audits that the AFAA performed during the 3-year period ended December 31, 2019.

In performing our review, we obtained an understanding of the system of quality control for the AFAA SAP audits. The Army Audit Agency (AAA) performed a peer review of the system of quality control for AFAA non-SAP audits for the 3-year period ending December 31, 2019. As part of the AAA peer review of non-SAP AFAA audits, AAA reviewed the AFAA quality control policies and procedures applicable to both SAP and non-SAP audits. We relied on the AAA review of AFAA quality control policies and procedures to the extent that we considered appropriate. We performed tests of the quality control policies and procedures by applying the appropriate CIGIE Guide checklist to the SAP audits we selected for review. The tests covered the application of the AFAA audit organization's policies and procedures on the selected SAP audits. 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.

We met with the AFAA audit organization's management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. The Enclosure identifies the scope and methodology, including our basis for selecting the three audits we reviewed.

Responsibilities and Limitation

The AFAA audit organization is responsible for establishing and maintaining a system of quality control designed to provide the AFAA with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements, including SAP audits. Our responsibility is to express an opinion on the design of the system of quality control and the AFAA audit organization's compliance for SAP audits based on our review. 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.



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

Enclosure 1

Scope and Methodology

We conducted this review from December 2019 through November 2020 in accordance with the Government Auditing Standards and the CIGIE “Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General,” September 2014. These standards require that we obtain an understanding of the audit organization’s system of quality control and conclude whether the:

- system is designed appropriately to ensure compliance with the Government Auditing Standards, and
- audit organization is complying with the Government Auditing Standards and internal policies and procedures.

This review covered the 3-year period from January 1, 2017, through December 31, 2019. We tested AFAA SAP audits for compliance with the AFAA audit organization system of quality control to the extent we considered appropriate. These tests included a review of non-statistically selected SAP projects, comprising 3 of the 25 SAP audits that the AFAA audit organization issued from January 1, 2017, through December 31, 2019. We used the appendixes and procedures in the September 2014 CIGIE Guide identified in the following sections to conduct this external peer review.

Policies and Procedures (CIGIE Guide Appendix A)

We relied on the AAA peer review of the AFAA audit policies and procedures to determine whether the policies and procedures complied with the Government Auditing Standards. The AFAA uses the same audit policies for both SAP and non-SAP audits. The AAA requested that the AFAA complete Column 1 of CIGIE Guide Appendix A, “Policies and Procedures,” and provide a copy of relevant policies and procedures. In Column 2 of CIGIE Guide Appendix A, the AAA recorded its conclusions and comments on the AFAA policies and procedures’ compliance with the Government Auditing Standards. We performed tests of the AAA review of the audit policies to determine whether we could rely on the AAA review conclusions.

Checklist for the Standards of Independence, Competence and Continuing Professional Education, and Quality Control and Peer Review (CIGIE Guide Appendix B)

Using CIGIE Guide Appendix B, we tested the AFAA SAP audits for compliance with the general standards in the Government Auditing Standards, consisting of independence, competence, continuing professional education, and quality control and assurance. We reviewed the continuing professional education documentation for 7 of 12 audit staff assigned to the three projects we selected for review. We selected the seven auditors because they had

a significant role in completing the three projects. We reviewed the continuing professional education documentation to determine whether the AFAA SAP auditors obtained the required number of continuing professional education hours and to determine whether the audit staff were competent.

Additionally, we reviewed the two AFAA SAP internal quality assurance reviews completed since we issued the last AFAA SAP peer review in September 2018.² AFAA completed both quality assurance reviews on January 17, 2020. Although the AFAA completed these quality control reviews on January 17, 2020, which is outside the 3-year period ended December 31, 2019, covered in this peer review, the quality control reviews addressed AFAA SAP reports that were issued within the 3-year period. We reviewed the quality assurance reviews to determine whether the AFAA audit organization performed monitoring procedures that enabled it to assess compliance with professional standards, as well as quality control policies and procedures. The quality assurance reviews determined that the AFAA SAP auditors complied with Government Auditing Standards and AFAA policies and procedures, except for minor findings in the areas of independence and supervision.

Checklist for AFAA SAP Performance Audits (CIGIE Appendix E)

From January 1, 2017, through December 31, 2019, the AFAA audit organization completed 25 SAP audits and all 25 were performance audits. We non-statistically selected three AFAA SAP performance audits for review. In selecting our non-statistical sample, we chose projects that would provide a reasonable cross-section of projects completed by the AFAA's audit organization. For example, we chose projects that resulted in the selection of various AFAA managers and audit staff members. Using Appendix E of the CIGIE Guide, we reviewed the three SAP performance audits to determine the extent to which the audits complied with the Government Auditing Standards. We determined that the three complied, in all significant respects, with the Government Auditing Standards.

The three SAP audits we reviewed were conducted while the December 2011 revision to the Government Auditing Standards was in effect.

Audit Staff Interviews (CIGIE Risk Assessment Procedure)

We interviewed 5 of 12 AFAA SAP audit staff members to determine whether AFAA audit management communicated quality control policies and procedures to the audit staff members. We chose the five audit staff members because they were assigned to the three performance audits that we selected for our review. We also assessed the audit staff members' understanding of, and compliance with, the AFAA quality control policies and procedures. We determined that the five audit staff members possessed an adequate understanding of Government Auditing Standards and AFAA policies and procedures.

² Report No. DoDIG-2018-158, "System Review Report of the AFAA Special Access Program Audits," September 28, 2018.

Use of Computer-Processed Data

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

Prior Coverage

During the last 5 years, the DoD Office of Inspector General (OIG) issued one report discussing the external peer review of the AFAA's SAP audits. In addition, the AAA issued one report discussing the external peer review of AFAA's non-SAP audits. Unrestricted DoD OIG reports can be accessed at www.dodig.mil/reports.

DoD OIG

Report No. DODIG-2018-158, "System Review Report of the Air Force Audit Agency Special Access Program Audits," September 28, 2018

The DoD OIG conducted an external peer review of the AFAA SAP program for the 3-year period ended December 31, 2016, to determine whether the quality control system for the AFAA's SAP audits was suitably designed, operating effectively, and complied with in practice. The AFAA received a peer review rating of pass with deficiencies for its SAP audits.

Army Audit Agency

Report No. A2021-0003-BOZ, "System Review Report of the Air Force Audit Agency," December 7, 2020

The AAA conducted an external peer review of the AFAA non-SAP program for the 3-year period ended December 31, 2019, to determine whether the quality control system for the AFAA complied with applicable professional standards in all material respects. The AFAA received a peer review rating of pass.



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

March 8, 2021

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Letter of Comment on the External Peer Review of the Air Force Audit Agency's
Special Access Program Audits (Report No. DODIG-2021-060)

We have reviewed the system of quality control for the Air Force Audit Agency (AFAA) Special Access Program (SAP) audit organization in effect for the 3-year period ended December 31, 2019, and have issued our System Review Report on March 8, 2021, in which the AFAA SAP audit organization received a rating of pass. The findings in this Letter of Comment should be read in conjunction with the System Review Report. The findings described below were not considered to be of sufficient significance to affect the opinion expressed in the System Review Report.

Finding 1. An Audit Project Did Not Contain Documentation of Communication With Management About Planning and Audit Performance

For one of the three AFAA SAP audit reports we reviewed, we could not determine whether the auditors communicated with Air Force management about planning and audit performance. Government Auditing Standard 6.47 states that auditors should communicate an overview of the objectives, scope, and methodology, and the timing of the performance audit and planned reporting, including any potential restrictions on the report.³ Auditor communication should occur, unless doing so could significantly impair the auditors' ability to obtain sufficient, appropriate evidence to address the audit objectives.

AFAA Instruction 65-101, section 4.4.2, states that the audit team should offer management an entrance conference at the beginning of an engagement.⁴ Further, the Instruction states that during the entrance conference, the audit team should inform management of the audit objectives, planned scope, and estimated execution timeline. Finally, the Instruction states that the auditors should inquire about governance, internal controls, oversight, and criteria for evaluating mission effectiveness in the subject area.

³ GAO-12-331G, "Government Auditing Standards," December 2011.

⁴ AFAA Instruction 65-101, "Audit Service Execution," September 28, 2018.

We reviewed the project files for the audit and identified that the AFAA auditors documented that they planned to meet with Air Force management to discuss the audit objectives. However, the AFAA auditors did not document the meeting in the project files. The auditors verbally stated that a meeting took place, but that they did not document the meeting.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Air Force Deputy Auditor General issue a memorandum to the Air Force Audit Agency Special Access Program audit staff to emphasize that auditors must:

- a. Communicate with Air Force management an overview of the objectives, scope and methodology, and the timing of the performance audit and planned reporting.**
- b. Document the communication in the project file.**

Air Force Auditor General Comments

The Air Force Auditor General agreed with the recommendation. On February 2, 2021, the Air Force Deputy Auditor General issued Memorandum 21-02, "Department of Defense Inspector General Peer Review Letter of Comment," outlining corrective actions for auditors to communicate with Air Force management and to document e-mail and oral communication with management in the working papers. On February 5, 2021, the Deputy Auditor General e-mailed all AFAA SAP auditors directing them to follow the corrective actions in Memorandum 21-02.

Our Response

Comments from the Air Force Auditor General addressed all specifics of the recommendation. We verified that the February 2021 memorandum issued to the AFAA SAP auditors reinforced the requirement to communicate with Air Force management an overview of the objectives, scope, and methodology; the timing of the performance audit; and planned reporting. In addition, the memorandum reinforced the requirement to document the communication in the project file. Therefore, we closed the recommendation.

Finding 2. Air Force Audit Agency Special Access Program Auditors Did Not Ask Management About Previous Engagements

For one of three AFAA SAP audit reports we reviewed, we could not determine whether the auditors asked Air Force management to identify previous reviews that directly related to the objectives of the audit, including whether related recommendations had been implemented. Government Auditing Standard 6.36 states that auditors should evaluate whether the audited

entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the audit objectives.⁵ When planning the audit, auditors should ask management of the audited entity to identify previous audits, attestation engagements, performance audits, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current audit work, including determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives.

AFAA Instruction 65-101, section 4.5, states that the audit team must identify previous audits, attestations, and other studies related to the audit objectives. In addition, the Instruction states that auditors will determine whether the audited entity implemented agreed upon corrective actions to address previous findings, recommendations, and potential monetary benefits.

We reviewed the project file for the audit and found that the project file did not contain any working paper which documented that the auditors asked Air Force management to identify previous engagements related directly to the audit objectives. The AFAA auditors told us that they forgot to complete the step related to previous engagements in the audit plan. However, the AFAA auditors stated they knew that previous engagements should have been included and documented in the project files.

Recommendations, Management Comments, and Our Response

Recommendation 2

We recommend that the Air Force Deputy Auditor General issue a memorandum to the Air Force Audit Agency Special Access Program auditors to remind them of the requirement to ask Air Force management whether any previous related audits or reviews were conducted, including whether any related recommendations were implemented, and to document management's response.

Air Force Auditor General Comments

The Air Force Auditor General agreed with the recommendation. On February 2, 2021, the Air Force Deputy Auditor General issued Memorandum 21-02, "Department of Defense Inspector General Peer Review Letter of Comment," requiring auditors to ask Air Force management about previous related engagements. The memorandum requires audit personnel to document work performed to include electronic research and communication

⁵ GAO-12-331G, "Government Auditing Standards," December 2011.

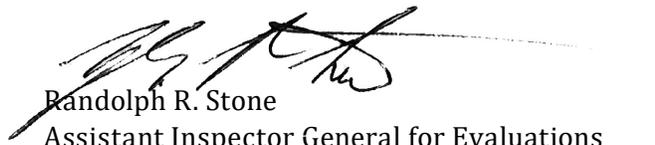
related to prior engagements. Furthermore, on February 5, 2021, the Deputy Auditor General e-mailed all AFAA SAP auditors, directing them to follow the corrective actions outlined in Memorandum 21-02 for documenting communications with Air Force management regarding prior engagements.

Our Response

Comments from the Air Force Auditor General addressed all specifics of the recommendation. We verified that the February 2021 memorandum issued to the Air Force Audit Agency SAP auditors reinforced the requirement to ask Air Force management whether any previous related engagements were conducted, including whether any related recommendations were implemented. In addition, the memorandum reinforced the requirement to document Air Force management's response. Therefore, we closed the recommendation.

If you have any questions or would like to meet to discuss the report, please contact

 We appreciate the cooperation and assistance we received during the review.


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

Enclosure 2

Management Comments

Air Force Auditor General



DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

OFFICE OF THE SECRETARY

16 February 2021

MEMORANDUM FOR DOD/IG

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

SUBJECT: Management Response, Draft Letter of Comments on the External Peer Review of
the Air Force Audit Agency's Special Access Program Audits
(Project No. D2020-DEV0SO-0044.001)

1. We reviewed the draft letter of comments and agree with the cited results and recommendations. Our response to each recommendation is outlined in the attached management comments document.
2. We appreciate the courtesies and cooperation extended during the review. If you have any questions, please contact [REDACTED]

BENNETT, DOUGLAS M. Digitally signed by
CHAE L. [REDACTED] BENNETT, DOUGLAS MICHAEL
Date: 2021.02.16 08:24:36 -0500
DOUGLAS M. BENNETT
Auditor General

Attachments:

1. Management Comments
2. Memo 21-02, DoD Inspector General Peer Review Letter of Comment, 2 Feb 21
3. Email to AFAA/FDZ, 5 Feb 21

Air Force Auditor General (cont'd)

Attachment 1
Management Comments
External Peer Review of AFAA Special Access Program Audits

The Air Force Audit Agency (AFAA) appreciates the observations provided by the review team in the letter of comments, and concurs with the findings and recommendations. The Deputy Auditor General has addressed the findings on 5 February 2021. Please refer to the attached memorandum for corrective action documentation.

Finding 1: Communication with Management about Planning and Audit Performance

Recommendation 1. We recommend that the Air Force Audit Agency Deputy Auditor General issue a memorandum to the Air Force Audit Agency Special Access Program audit staff to emphasize that auditors must:

- a. Communicate with Air Force management an overview of the objectives, scope, and methodology and the timing of the performance audit and planned reporting.
- b. Document the communication in the project file.

AFAA Response: Agree. The Deputy Auditor General (dual-hatted as the Assistant Auditor General, Field Activities Directorate) issued Memorandum 21-02, *Department of Defense Inspector General Peer Review Letter of Comment*, 2 February 2021, addressing the finding. On 5 February 2021, the Deputy Auditor General emailed this memorandum to all AFAA/FDZ personnel, directing them to include all email and oral communication with management in the work papers including meeting details, attendee listing, topics discussed, management response, and follow-up actions required. (Closed, 5 February 2021, See Attachment 2).

Finding 2: Asking Management about Previous Engagements

Recommendation 2. We recommend that the Air Force Audit Agency Deputy Auditor General issue a memorandum to the Air Force Audit Agency Special Access Program auditors to remind them of the requirement to ask Air Force management whether any previous related audits or reviews were conducted, including whether any related recommendations were implemented, and to document management's response.

AFAA Response: Agree. The Deputy Auditor General (dual-hatted as the Assistant Auditor General, Field Activities Directorate) issued Memorandum 21-02, *Department of Defense Inspector General Peer Review Letter of Comment*, 2 February 2021. On 5 February 2021, the Deputy Auditor General emailed all AFAA/FDZ personnel to direct them to document communication with management and work performed for prior engagement assessment. Documentation must include sites/resources, key terms, research rationale, and search results. (Closed, 5 February 2021, See Attachment 2).

Acronyms and Abbreviations

AAA Army Audit Agency

AFAA Air Force Audit Agency

CIGIE Council of Inspectors General on Integrity and Efficiency

SAP Special Access Program

Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

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