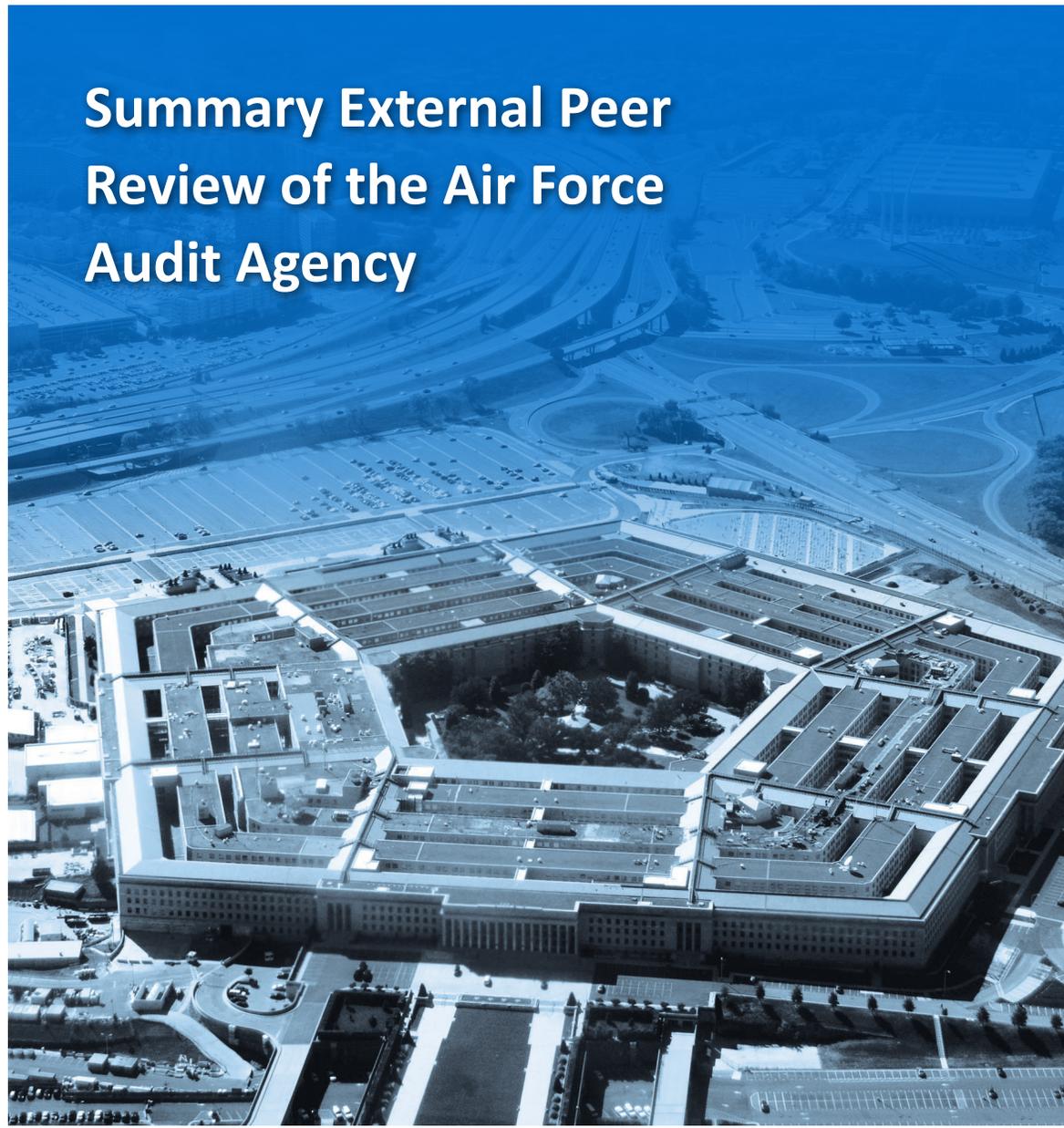




# INSPECTOR GENERAL

*U.S. Department of Defense*

MAY 5, 2021



## Summary External Peer Review of the Air Force Audit Agency

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





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

May 5, 2021

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Summary External Peer Review of the Air Force Audit Agency  
(Report No. DODIG-2021-079)

Attached is the Summary System Review Report on the External Peer Review of the Air Force Audit Agency. We are providing this report for your information and use. We provided a discussion draft of this report to Air Force Audit Agency representatives, who concurred with the results of the Summary System Review Report of the Air Force Audit Agency. Therefore, we are publishing this report as final based on management's response to the discussion draft.

We conducted the external peer review 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. The enclosure of the report identifies the scope and methodology.

If you have any questions or would like to meet to discuss the external peer review, please contact [REDACTED]. We appreciate the cooperation and assistance we received during the review.

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

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**

May 5, 2021

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Summary System Review Report on the External Peer Review of  
the Air Force Audit Agency (Report No. DODIG-2021-079)

We compiled the results of the external peer review (peer review) of the Air Force Audit Agency (AFAA) non-Special Access Program (SAP) audits that the Army Audit Agency (AAA) performed, and the peer review of AFAA SAP audits that the DoD Office of Inspector General (OIG) performed, to make a summary assessment on the system of quality control of the AFAA for the 3-year period ended December 31, 2019. A system of quality control encompasses the AFAA's organizational structure, the 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 in effect for the 3-year period ended December 31, 2019, has been suitably designed and complied with to provide the AFAA with reasonable assurance of performing and reporting in conformity in all material respects with applicable professional standards and legal and regulatory requirements.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or fail. In AAA Report No. A-2021-0003-BOZ, the AAA issued a rating of *pass* on the AFAA system of quality control, excluding SAP audits.<sup>1</sup> In Report No. DODIG-2021-060, the DoD OIG issued a rating of *pass* on the AFAA system of quality control for SAP audits.<sup>2</sup> Therefore, the AFAA has received a summary rating of *pass*.

### **Letters of Comment**

The AAA issued a Letter of Comment to the AFAA, dated December 7, 2020, that sets forth findings we did not consider to be of sufficient significance to affect our opinion expressed in this summary System Review Report of the AFAA.

In addition, the DoD OIG issued a Letter of Comment to the AFAA, dated March 8, 2021, that sets forth our findings related to the AFAA SAP audits. We did not consider the findings in the DoD OIG Letter of Comment to be of sufficient significance to affect our summary opinion expressed in this Summary System Review Report of the AFAA.

<sup>1</sup> Report A-2021-0003-BOZ, "System Review Report on the External Peer Review of the Air Force Audit Agency (Project A-2020-BOZ-0537)," December 7, 2020.

<sup>2</sup> DODIG-2021-060, "External Peer Review Report on the Air Force Audit Agency Special Access Program Audits," March 8, 2021.

## **Basis of Opinion**

The AAA and the DoD OIG conducted both peer reviews in accordance with the Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) “Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General,” September 2014.

The peer reviews conducted by the AAA and the DoD OIG included interviewing AFAA personnel and obtaining an understanding of the nature of the design of the AFAA’s system of quality control sufficient to assess the risks implicit in its audit functions. Based on the interviews and the understanding obtained, the AAA and the DoD OIG selected audits, attestation engagements, and working papers to test for conformity with professional standards and compliance with the AFAA’s system of quality control. The AAA selected 7 of 271 non-SAP performance audits, 1 of 5 non-SAP attestation engagements, and 1 of 79 non-SAP terminated audits that the AFAA completed from July 1, 2019, through December 31, 2019. The eight selected non-SAP audits and attestation engagement represent a reasonable cross-section of the non-SAP audits and attestation engagements completed by the AFAA. The AFAA conducted the selected non-SAP audits and attestation engagements while the December 2011 revision to the Government Auditing Standards was in effect.

In our oversight of the peer review conducted by the AAA, we attended planning meetings and reviewed the memorandum of understanding between the AAA and the AFAA. We also reviewed the working papers, the point papers, and the CIGIE Guide checklists prepared by the AAA auditors to enable us to rely on the conclusions and findings that the AAA reported.

During the DoD OIG peer review of the AFAA SAP audits, the DoD OIG selected 3 of 25 SAP audits that the AFAA issued from September 4, 2018, through April 26, 2019.<sup>3</sup> The DoD OIG tested the three audits for conformity with the Government Auditing Standards. The 3 audits selected by the DoD OIG 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. The AFAA conducted the selected SAP audits while the December 2011 revision to the Government Auditing Standards was in effect.

In performing the peer reviews, the AAA and the DoD OIG obtained an understanding of the system of quality control for the AFAA. In addition, the AAA and the DoD OIG tested compliance with the AFAA’s quality control policies and procedures to the extent that the AAA and the DoD OIG considered appropriate. These tests covered the application of the AFAA policies and procedures on the selected audits. The peer reviews conducted by the AAA and the DoD OIG were based on selected tests; therefore, they did not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. The enclosure includes details of the scope and methodology for the peer reviews conducted by the AAA and the DoD OIG.

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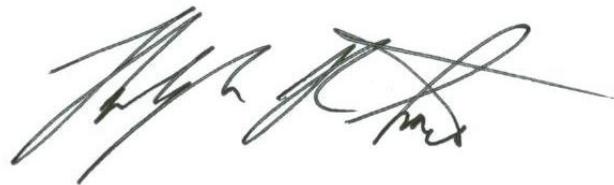
<sup>3</sup> The AFAA SAP did not conduct any attestation engagements or terminate any audits during the 3-year period ended December 31, 2019.

The AAA and the DoD OIG teams that conducted the peer reviews met with AFAA management to discuss the results of the peer reviews. We also advised the AFAA of the summary opinion expressed in this report. We believe the procedures that the AAA and the DoD OIG performed provide a reasonable basis for our summary opinion.

### **Responsibilities and Limitation**

The AFAA 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. Our responsibility is to express a summary opinion on the design of the system of quality control and the AFAA's compliance based on the peer reviews that the AAA and the DoD OIG conducted.

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.

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

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

Enclosure  
As stated

# Enclosure

## Scope and Methodology

The AAA conducted the peer review of the AFAA's non-SAP audits from January 2020 through September 2020. The DoD OIG conducted the peer review of the AFAA's SAP audits from December 2019 through January 2021. The peer reviews covered the 3-year period of January 1, 2017, through December 31, 2019.

The peer reviews conducted by the AAA and the DoD OIG were performed in accordance with the Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) "Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General." These standards required that the AAA and DoD OIG teams performing the peer reviews 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
- the audit organization is complying with the Government Auditing Standards and internal policies and procedures.

### ***We Performed Oversight of the Army Audit Agency Peer Review of the Air Force Audit Agency***

In accordance with Government Auditing Standards and the CIGIE Guide, we performed oversight procedures to provide a basis for reliance on the results of the peer review conducted by the AAA, and to ensure that the CIGIE guidelines were consistently applied. We attended planning meetings and reviewed the memorandum of understanding between the AAA and the AFAA. We also reviewed the point papers and the CIGIE Guide checklists prepared by the AAA to enable us to rely on the conclusions and findings that the AAA reported.

In addition, we reviewed AAA Report A-2021-0003-BOZ, "System Review Report on the External Peer Review of the Air Force Audit Agency (Project A-2020-BOZ-0537)," December 7, 2020, and Report A-2021-0004-BOZ, "Letter of Comments on the External Peer Review of the Air Force Audit Agency," December 7, 2020. The System Review Report issued by the AAA reflects a pass rating on the AFAA system of quality control over non-SAP audits. The Letter of Comments issued by the AAA identified four findings in the areas of quality assurance, continuing professional education, planning, and audit documentation. We determined that the four findings were not significant enough to affect the summary opinion on the AFAA system of quality control provided in this report.

## ***The September 2014 CIGIE Guide Was Used to Conduct the Two Peer Reviews***

As detailed below, the AAA and the DoD OIG used the appendixes and procedures in the September 2014 CIGIE Guide to conduct the AFAA peer reviews.

### ***Policies and Procedures (CIGIE Guide Appendix A)***

The AAA and the DoD OIG reviewed the AFAA audit policies and procedures to determine whether the policies and procedures complied with the Government Auditing Standards, including the American Institute of Certified Public Accountants Statements on Standards for Attestation Engagements, which is incorporated in the Government Auditing Standards by reference. 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 their conclusions and comments on the AFAA policies’ and procedures’ compliance with the Government Auditing Standards.

Appendix A was also required for the peer review of the AFAA SAP audits. The DoD OIG relied on the analysis that the AAA completed for Appendix A to avoid duplication of efforts. The AAA and the DoD OIG concluded that the AFAA policies and procedures were compliant with the Government Auditing Standards.

### ***Checklist for Review of Adherence to General Standards (CIGIE Guide Appendix B)***

Using the CIGIE Guide’s Appendix B, the AAA and the DoD OIG tested the AFAA’s compliance with the Government Auditing Standards’ general standards, consisting of independence, competence, professional judgment, and quality control and assurance. The AAA and the DoD OIG concluded that the AFAA was compliant with the general standards.

### ***The Army Audit Agency Review of Adherence to General Standards for the Non-Special Access Program Audits***

The AAA reviewed the continuing professional education documentation for 62 of 633 AFAA audit staff members to determine whether they obtained the required number of continuing professional education hours and to determine whether the AFAA audit staff members were competent. The AAA also reviewed documentation of independence to determine whether the AFAA met the Government Auditing Standards’ requirements for independence documentation. In addition, the AAA reviewed one of two internal quality assurance reviews for non-SAP audits completed from January 1, 2017, through December 31, 2019, to determine whether the AFAA annually analyzed and summarized the results of its monitoring process; communicated any deficiencies noted during the monitoring process to appropriate personnel; and made recommendations for appropriate remedial action.

## ***The DoD OIG Review of Adherence to General Standards for Special Access Program Audits***

The DoD OIG reviewed the continuing professional education documentation for 7 of 12 SAP audit staff members to determine whether they obtained the required number of continuing professional education hours and to determine whether the staff members were competent. The DoD OIG also reviewed documentation of independence to determine whether the AFAA SAP audits met the Government Auditing Standards' requirements for independence documentation. In addition, the DoD OIG reviewed both of the internal quality assurance reviews completed for SAP audits from January 1 2017, through December 31, 2019, to determine whether the AFAA annually analyzed and summarized the results of its monitoring process; communicated any deficiencies noted during the monitoring process to appropriate personnel; and made recommendations for appropriate remedial action.

## ***Checklist for Review of Attestation Engagements Performed by the Air Force Audit Agency (CIGIE Guide Appendix D)***

From July 1, 2019, through December 31, 2019, the AFAA conducted five non-SAP attestation engagements. The AAA non-statistically selected one non-SAP attestation engagement to review. Using Appendix D of the CIGIE Guide, the AAA reviewed the non-SAP attestation engagement to determine the extent to which the engagement complied with the Government Auditing Standards. The AAA concluded that the non-SAP attestation engagement complied with the Government Auditing Standards.

Table 1 identifies the non-SAP attestation engagement that the AAA reviewed.

*Table 1. AFAA Non-SAP Attestation Engagement Reviewed by the AAA*

Report Number	Report Date	Report Title
F2020-0003-L1000000	October 20, 2019	Agreed-Upon Procedures, Military Equipment: Aircraft-Test of Effectiveness

Source: The AFAA.

The AFAA did not conduct any SAP attestation engagements from January 1, 2017, through December 31, 2019.

## ***Checklist for Review of Performance Audits Performed by the Air Force Audit Agency (CIGIE Guide Appendix E)***

Using Appendix E of the CIGIE Guide, the AAA and the DoD OIG reviewed a reasonable cross-section of AFAA performance audits. The AFAA conducted the performance audits while the December 2011 revision to the Government Auditing Standards was in effect. The AAA and the DoD OIG concluded that the audits complied with Government Auditing Standards.

## ***The Army Audit Agency Peer Review of Air Force Audit Agency Non-Special Access Program Performance Audits***

From July 1, 2019, through December 31, 2019, the AFAA completed 271 non-SAP performance audits. The AAA non-statistically selected seven non-SAP performance audits for review. In selecting the non-statistical sample, the AAA chose non-SAP audits that would provide a reasonable cross-section of non-SAP performance audits completed by the AFAA. For example, the AAA chose audits that reflected a variety of subjects at different AFAA offices. Table 2 identifies the non-SAP performance audit reports that the AAA reviewed.

*Table 2. AFAA Non-SAP Performance Audit Reports Reviewed by the AAA*

Report Number	Report Date	Report Title
F-2019-0002-O40000	November 9, 2018	Air Reserve Component Basic Allowance for Housing
F-2019-0007-O30000	July 1, 2019	Department of the Air Force Civilian Police Hiring and Retention
F-2019-0008-L20000	September 13, 2019	F-35 Cooperative Training
F-2019-0039-RWN000	July 29, 2019	Aviation Fuel Management 92d Air Refueling Wing Fairchild Air Force Base, Washington
F-2019-0041-RWN000	August 13, 2019	Unliquidated Obligations 341 <sup>st</sup> Missile Wing Malmstrom Air Force Base, Montana
F-2020-0001-O10000	October 17, 2019	Information Technology Hardware Asset Purchasing
F-2019-0038-REG000	July 2, 2019	Flying Facilities Joint-Use Agreement at 96 <sup>th</sup> Test Wing

Source: The AFAA.

## ***The DoD OIG Peer Review of Air Force Audit Agency Special Access Program Performance Audits***

From September 4, 2018, through April 26, 2019, the AFAA audit organization completed 25 SAP performance audits. The DoD OIG non-statistically selected three SAP performance audits for review. In selecting the non-statistical sample, the DoD OIG chose SAP audits that would provide a reasonable cross-section of SAP performance audits completed by the AFAA. For example, the DoD OIG chose audits that resulted in the selection of various AFAA managers and audit staff members.

### ***Terminated Audit (CIGIE Risk Assessment Procedure)***

The AFAA's universe of non-SAP audits from July 1, 2019, through December 31, 2019, included 79 non-SAP audits that were terminated. The AAA selected one of the non-SAP terminated audits, "Non-Participating Reservists," Project No. 2019-040000-0449.0023, to determine whether the AFAA audit staff documented the results of the audit to the date of termination and the reason they terminated the audit. The AAA determined that the AFAA audit staff complied with the Government Auditing Standards for terminating audits.

The AFAA did not terminate any SAP audits from January 1, 2017, through December 31, 2019.

## ***Audit Staff Interviews (CIGIE Risk Assessment Procedure)***

The AAA peer review team and the DoD OIG conducted interviews of AFAA audit staff members to determine whether the AFAA management communicated quality control policies and procedures to its audit staff members. The AAA and the DoD OIG also assessed the AFAA audit staff members' understanding of, and compliance with, the AFAA quality control policies and procedures. The AAA and the DoD OIG concluded that the AFAA audit staff members are competent and have an adequate understanding of AFAA policies and the Government Auditing Standards.

### ***The Army Audit Agency Conducted Interviews of Auditors Assigned to the Air Force Audit Agency Non-Special Access Program Audits***

The AAA peer review team conducted interviews of 38 of the 633 non-SAP AFAA audit staff members. The 38 AFAA audit staff members were selected from the 13 AFAA offices to assess the AFAA audit staff members' understanding of, and compliance with, the AFAA quality control policies and procedures. The AAA determined that the 38 AFAA audit staff members adequately understood and complied with AFAA quality control policies and procedures.

### ***The DoD OIG Conducted Interviews of Auditors Assigned to the Air Force Audit Agency Special Access Program Audits***

The DoD OIG conducted interviews of 5 of 12 SAP AFAA audit staff members at three AFAA offices. The five AFAA audit staff members were assigned to the three SAP audits that the DoD OIG selected for review.

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

The AAA and the DoD OIG did not rely on computer-processed data to perform the peer reviews.

## **Prior Coverage**

During the last 5 years, the DoD OIG issued two reports discussing the peer review of the AFAA. In addition, the AAA and the Naval Audit Service issued reports discussing the peer review of the AFAA. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>. Unrestricted AAA reports can be accessed at <https://www.army.mil/aaa>. The Naval Audit Service reports are not available over the Internet.

## ***DoD OIG***

Report No. DODIG-2019-001, "System Review Report on the Air Force Audit Agency,"  
October 12, 2018

The DoD OIG provided oversight and an opinion on the Naval Audit Service peer review of the AFAA for the 3-year period ended December 31, 2016. The DoD OIG combined the results of the Naval Audit Service peer review of the AFAA with the DoD OIG results of the AFAA SAP audits to provide a summary opinion on the AFAA's compliance with the Government Auditing Standards.

Report No. DODIG-2021-060, "System Review Report on the External Peer Review of the Air Force Audit Agency's Special Access Program Audits," March 8, 2021

The DoD OIG evaluated whether the AFAA quality control system over SAP audits for the 3-year period ended December 31, 2019, was adequate.

## ***Army Audit Agency***

System Review Report on the External Peer Review of the Air Force Audit Agency  
(Project A-2020-BOZ-0537), Report A-2021-0003-BOZ, December 7, 2020

The AAA conducted a peer review of the AFAA non-SAP 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.

## ***Naval Audit Service***

Opinion Letter P2017-0001, "Opinion Letter on the Fiscal Year 2017 External Quality Control Peer Review of the Air Force Audit Agency," September 29, 2017

The Naval Audit Service conducted a peer review of AFAA non-SAP audits for the 3-year period ended December 31, 2016, to determine whether the quality control system over AFAA non-SAP audits complied with applicable professional standards. The AFAA received a peer review rating of pass.

# Acronyms

**AAA** Army Audit Agency

**AFAA** Air Force Audit Agency

**CIGIE** Council of the Inspectors General on Integrity and Efficiency

**SAP** Special Access Program

# **Whistleblower Protection**

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