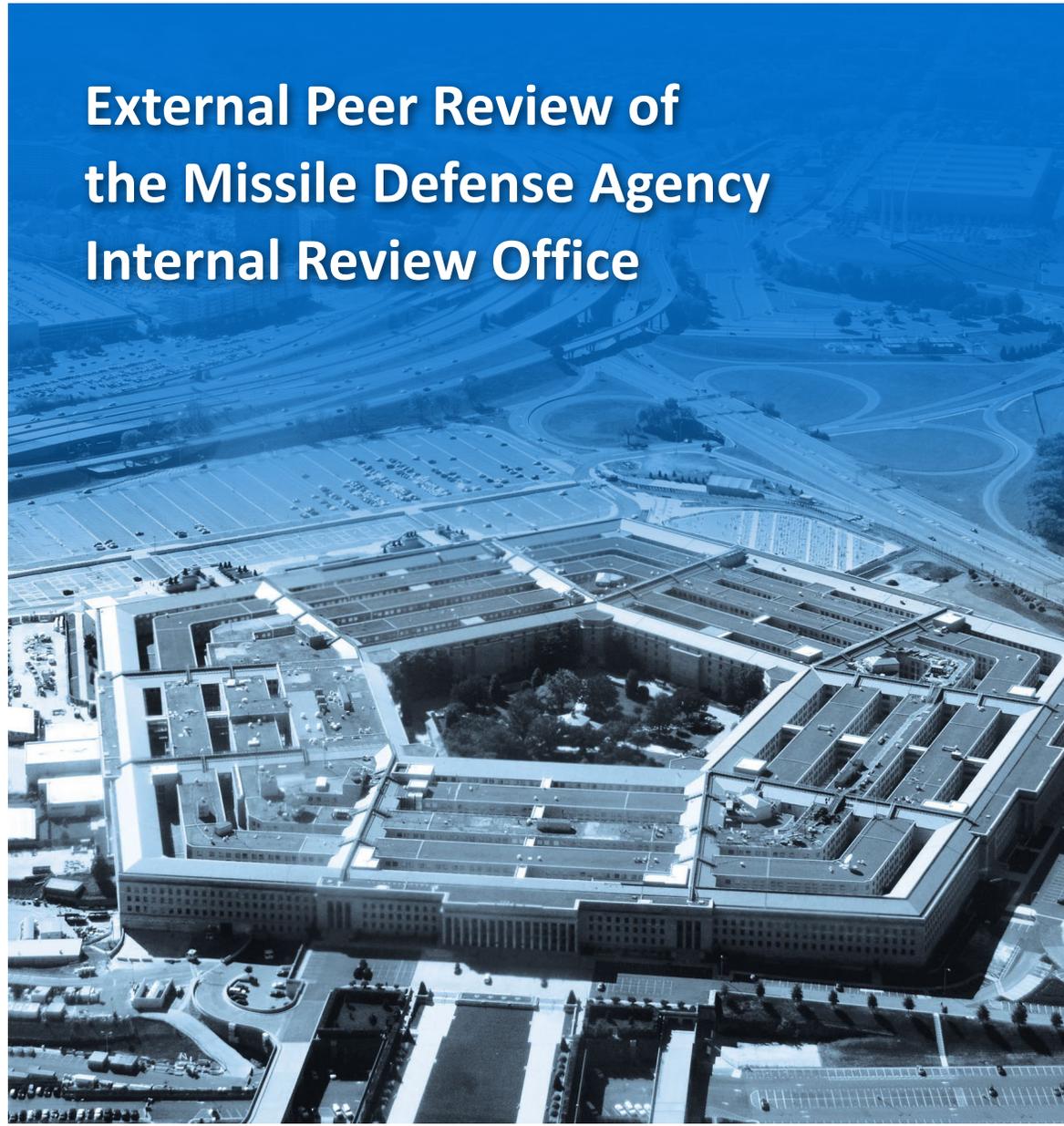




# INSPECTOR GENERAL

*U.S. Department of Defense*

JULY 16, 2021



## External Peer Review of the Missile Defense Agency Internal Review Office

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





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

July 16, 2021

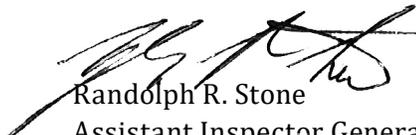
MEMORANDUM FOR DIRECTOR, MISSILE DEFENSE AGENCY

SUBJECT: External Peer Review of the Missile Defense Agency Internal Review Office  
(Report No. DODIG-2021-103)

The final report provides the results of the DoD Office of Inspector General's external peer review of the Missile Defense Agency Internal Review Office. 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 management comments are included in Enclosure 2 of the report.

Management comments and associated actions addressed the recommendation in the Letter of Comment, and we consider the recommendation closed.

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

July 16, 2021

**MEMORANDUM FOR DIRECTOR, MISSILE DEFENSE AGENCY**

**SUBJECT: System Review Report on External Peer Review of the Missile Defense Agency  
Internal Review Office(Report No. DODIG-2021-103)**

We reviewed the system of quality control for the Missile Defense Agency Internal Review (MDA IR) Office in effect for the 3-year period ended September 30, 2020. A system of quality control encompasses the MDA IR Office's organizational structure, policies adopted, and procedures established to provide the system 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 MDA IR Office in effect for the 3-year period ended September 30, 2020, has been suitably designed and complied with to provide the MDA IR Office with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The MDA IR Office has received an external peer review rating of *pass*.

**Letter of Comment**

We have issued a Letter of Comment dated July 16, 2021, that sets forth findings we did not consider to be of sufficient significance to affect our opinion expressed in this System Review 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.<sup>1</sup>

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<sup>1</sup> The July 2018 revision of the Government Auditing Standards is required for use on performance audits beginning July 1, 2019. The MDA IR Office began the five performance audits we reviewed before July 1, 2019. Although the Government Accountability Office issued a July 2018 revision of the Government Auditing Standards, the December 2011 revision was still in effect for these five audits. As a result, we used the December 2011 revision of the Government Auditing Standards to evaluate the system of quality control for the MDA IR Office. We also used the September 2014 version of the CIGIE "Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General" as a guide for conducting this review.

During our review, we interviewed MDA IR Office audit personnel and obtained an understanding of the nature of the MDA IR Office and the design of its system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessment, we selected five audits that the MDA IR Office either completed or terminated from October 1, 2017, through September 30, 2020. We tested the five audits for conformity with the Government Auditing Standards. The audits we selected represent a reasonable cross-section of the audits that the MDA IR Office completed or terminated from October 1, 2017, through September 30, 2020.

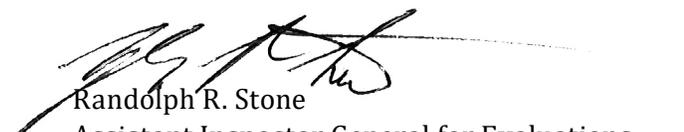
In performing our review, we obtained an understanding of the system of quality control for the MDA IR Office. In addition, we tested the system for compliance with the MDA IR Office's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the MDA IR Office's policies and procedures on the five MDA IR Office audits we selected. 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.

We met with the MDA IR Office'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 our scope and methodology, including our basis for selecting the five audits we reviewed.

### **Responsibilities and Limitation**

The MDA IR Office is responsible for establishing and maintaining a system of quality control designed to provide the MDA IR Office 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 an opinion on the design of the system of quality control and the MDA IR Office's compliance with the system of quality control based on our 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 or procedures may deteriorate.

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

# Enclosure

## Scope and Methodology

We conducted this review from October 2020 through March 2021 in accordance with the Government Audit Standards and the CIGIE “Guide for conducting Peer Reviews of the Audit Organization 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
- the audit organization is complying with the Government Auditing Standards and internal policies and procedures.

This review covered the 3-year period from October 1, 2017, through September 30, 2020. We tested MDA IR Office audits for compliance with the MDA IR Office audit organization system of quality control to the extent we considered appropriate. These tests included a review of nonstatistically selected performance audits, comprised of 3 of the 24 performance audits that the MDA IR Office completed, and the 2 audits that the MDA IR Office terminated from October 1, 2017, through September 30, 2020. As detailed in the following sections, we used appendices and procedures in the September 2014 CIGIE Guide to conduct this external peer review.

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

We reviewed the MDA IR Office audit policies and procedures to determine whether the policies and procedures complied with the Government Auditing Standards. We requested that the MDA IR Office complete Column 1, Section 1, of CIGIE Guide’s Appendix A, “Policies and Procedures,” and provide a copy of relevant policies and procedures. In Column 2, Section 2, of Appendix A, we recorded our comments and conclusions on the extent to which the MDA IR Office policies and procedures complied with the Government Auditing Standards. We concluded that the MDA IR Office policies and procedures complied with the Government Auditing Standards.

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

Using Appendix B of the CIGIE Guide, we tested the MDA IR Office 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 16 MDA IR Office audit staff employed during 2018 and 2019, consisting of a mix of audit supervisors,

auditors, and one audit liaison. We reviewed the continuing professional education documentation provided by the audit supervisors, auditors, and the audit liaison to determine whether they obtained the required number of continuing professional education hours. Based on our sample review, we determined that the MDA IR Office complied with Government Auditing Standards requirement for continuing professional education.

Additionally, the MDA IR Office performed one internal quality assurance review during the 3-year period ended September 30, 2020.<sup>2</sup> The quality assurance review covered MDA IR audits completed in FY 2019. We reviewed the FY 2019 quality assurance review to determine whether the MDA IR Office, in accordance with the Government Auditing Standards:

- performed monitoring procedures that enabled it to assess compliance with professional standards, as well as quality control policies and procedures; and
- analyzed and summarized the results of its monitoring procedures, at least annually, with identification of any systemic or repetitive issues needing improving with recommendations for corrective action.

The FY 2019 quality assurance review satisfied the Government Auditing Standards requirement for performing, analyzing, and summarizing the monitoring of its FY 2019 audit work. However, the MDA IR Office did not fully comply with the Government Auditing Standards requirement for monitoring at least annually, because it did not perform any monitoring procedures of audits completed in FY 2018 and FY 2020. See the Letter of Comment for additional details regarding this finding. Nevertheless, the finding was not significant enough to affect the pass rating in this System Review Report.

### ***Checklist for MDA IR Office Performance Audits (CIGIE Appendix E)***

For the 3-year period ended September 30, 2020, the MDA IR Office completed 24 performance audits. We nonstatistically selected 3 of the 24 performance audits for our review. In selecting our nonstatistical sample, we chose projects that would provide a reasonable cross-section of projects completed by the MDA IR Office during the 3-year period ended September 30, 2020. For example, we chose projects that resulted in the selection of various MDA IR Office auditors and audit supervisors. Using Appendix E of the CIGIE Guide, we reviewed the three MDA IR Office performance audits and concluded that the audits complied with the Government Auditing Standards. The MDA IR Office conducted the three performance audits while the December 2011 revision to the Government Auditing Standards was in effect. Table 1 lists the performance audits that we selected for our review.

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<sup>2</sup> Report No Q-19-01, "Fiscal Year 2019 Internal Quality Assurance Review" January 22, 2020.

Table 1. MDA IR Office Performance Audits We Selected

Project Title	Report Number
Audit of the Missile Defense Agency’s 2017 Depot Maintenance Workload Distribution, A-17-01	A-17-01
Audit of the Missile Defense Agency Property at Alabama, Colorado, New Mexico, and Pennsylvania	A-18-03-02
Audit of Management of Privileged User Accounts	A-18-07

Source: The DoD OIG

### **Terminated Audits (CIGIE Risk Assessment Procedures)**

The MDA IR Office terminated two performance audits during the 3-year period ended September 30, 2020. We reviewed the audit documentation for the terminated audits to determine whether the MDA IR Office auditors documented the results of the work to the date of the termination and the reason they terminated the audits. The MDA IR Office complied with the Government Auditing Standards for terminating audits. Table 2 lists the terminated projects that we selected for our review.

Table 2. MDA IR Office Terminated Projects We Selected

Project Title	Project Number
Review of Contract Government-Furnished Equipment	A-17-05
Contract Change Proposals	A-17-08

Source: The DoD OIG

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

We interviewed all 12 MDA IR Office auditors and audit supervisors who were employed as of September 30, 2020. We interviewed them to determine their understanding of, and compliance with, the MDA IR Office quality control policies and procedures. Of the 12 auditors we interviewed, 4 were assigned to at least one of the three performance audits that we reviewed. Based on the results of the interviews, we concluded that the MDA IR Office auditors and audit supervisors were competent and had an adequate understanding of the MDA IR Office policies and the Government Auditing Standards.

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

We did not use computer-processed data to conduct this external peer review.

## Prior Coverage

During the last five years, the DoD OIG issued one report discussing the results of an external peer review of the MDA IR Office. Unrestricted DoD OIG reports can be accessed at [www.dodig.mil/reports.html/](http://www.dodig.mil/reports.html/).

### ***DoD OIG***

Report No. DODIG-2018-114, “System Review on the Missile Defense Agency Internal Review Office,” May 10, 2018

The DoD OIG evaluated whether the MDA IR Office system of quality control in effect for the 3-year period ended September 30, 2017, was adequate. The DoD OIG also evaluated whether the MDA IR Office complied with its quality control system to provide it with reasonable assurance of conformity with applicable professional standards and legal and regulatory requirements. The MDA IR Office received an external peer review rating of pass.



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

July 16, 2021

MEMORANDUM FOR DIRECTOR, MISSILE DEFENSE AGENCY

SUBJECT: Letter of Comment on the External Peer Review of the Missile Defense Agency  
Internal Review Office (Report No. DODIG-2021-103)

We have reviewed the system of quality control for the Missile Defense Agency Internal Review (MDA IR) Office in effect for the 3-year period ended September 30, 2020, and have issued our System Review Report on July 16, 2021, in which the MDA IR Office received a rating of pass. The finding in this Letter of Comment should be read in conjunction with the System Review Report. The finding described below was not considered to be of sufficient significance to affect the opinion expressed in the System Review Report.

### **Finding. The MDA IR Office Did Not Monitor the Quality of Work Completed in FY 2018 and FY 2020**

For FY 2019, the MDA IR Office performed monitoring of quality procedures and summarized the results of those monitoring procedures. However, for FY 2018 and FY 2020, the MDA IR Office did not perform any monitoring of quality procedures on work completed in those years. Government Auditing Standard 3.93 states that monitoring of quality is an ongoing, periodic assessment of work completed on audits. Monitoring is designed to provide management of the audit organization with reasonable assurance that the policies and procedures related to the system of quality control are suitably designed and operating effectively in practice. In addition, Government Auditing Standard 3.94 states that the audit organization should perform monitoring procedures that enable it to assess compliance with applicable professional standards and quality control policies and procedures for audits. Furthermore, Government Auditing Standard 3.95 states that the audit organization should analyze and summarize the results of its monitoring process at least annually with identification of any systematic or repetitive issues needing improvement along with recommendations for corrective action. Monitoring activities may include determining whether auditors who worked on selected audits met independence, competence, quality control and assurance, audit risks, planning, evidence, audit documentation, and reporting requirements in accordance with the Government Auditing Standards.

The MDA IR Office's "Quality Assurance Program Standard Operating Procedure," February 13, 2020, states that monitoring of quality assurance procedures will be performed only in years when the MDA IR Office does not undergo an external peer review. Furthermore, the standard operating procedure states that the external peer review report will count as the monitoring of quality assurance procedures for the fiscal year in which the external peer review is completed.

For example, the MDA IR Office did not perform monitoring of quality procedures in FY 2018 because we completed our last external peer review of the MDA IR Office in FY 2018. However, an external peer review report of the MDA IR Office does not satisfy the monitoring of quality control procedures that the MDA IR Office must conduct in accordance with the Government Auditing Standards. Thus, the MDA IR Office standard operating procedure is not consistent with the Government Auditing Standard 3.95 requirement to analyze and summarize the results of monitoring procedures at least annually.

MDA IR Office representatives stated that the MDA IR Office monitored audits during FY 2018 and FY 2020. Specifically, the MDA IR Office completed audit quality control checklists to verify that all audits were completed in accordance with the Government Auditing Standards. In addition, the MDA IR Office representatives stated that each audit was subjected to an independent reference review, which involves another auditor, having no prior involvement in the audit, reviewing the report and working papers to ensure the original auditor obtained sufficient evidence to support the conclusions reached and the results reported. Although these measures are part of the MDA IR Office's system of quality control, they do not assess completed audits for compliance with the Government Auditing Standards. Monitoring of quality procedures should be conducted in accordance with Government Auditing Standards 3.93 through 3.95, which address monitoring, analyzing the results of monitoring, and summarizing the results of monitoring.

The MDA IR Office representatives also stated that, effective January 2021, the MDA IR Office began performing monitoring of quality procedures on each completed audit. In addition, the MDA IR Office representatives stated that management plans to update the Quality Assurance Program Standard Operating Procedure to require the monitoring of quality procedures on each completed audit, and to analyze and summarize the results of the monitoring of quality control at least annually. If implemented, the MDA IR Office's plan to require the monitoring of quality procedures on each completed audit should satisfy the monitoring procedures required in Government Auditing Standards 3.93 through 3.95.

## Recommendations, Management Comments, and Our Response

### ***Recommendation 1***

We recommend that the Missile Defense Agency Internal Review Office Director update the Quality Assurance Program Standard Operating Procedure to require that the audit organization, in accordance with sections 5.43 and 5.44 of the 2018 revision to the Government Auditing Standards,

- a. Perform monitoring of quality control procedures; and
- b. Analyze and summarize the results of the monitoring of quality procedures at least annually.

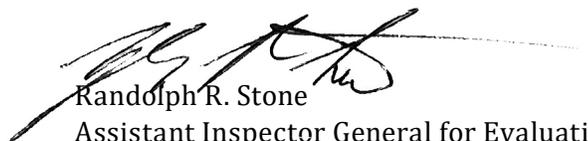
### ***Missile Defense Agency Director Comments***

The MDA Director agreed, stating that effective January 2021 the MDA IR Office began performing monitoring of quality procedures on all completed audits. In addition, the MDA IR Office is updating the Quality Assurance Program Standard Operating Procedure to require the monitoring of quality procedures on all completed audits, and to analyze and summarize the results of the monitoring of quality control annually. The MDA Director estimated that the update of the Standard Operating Procedure would be completed by September 30, 2021.

### ***Our Response***

Comments from the MDA Director addressed all specifics of the recommendation. On June 15, 2021, the MDA IR Office updated the Quality Assurance Program Standard Operating Procedure. We verified that the Standard Operating Procedure requires the MDA IR Office to perform monitoring of quality control procedures on all completed audits. In addition, the Standard Operating Procedure requires the MDA IR Office to analyze and summarize the results of monitoring annually. Therefore, we closed the recommendation.

If you have any questions or would like to meet to discuss the report, please contact Mr. Mark Dixon (703) 604-8739 (DSN 664-8739). We appreciate the cooperation and assistance we received during the external peer review.

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

# Management Comments

## Missile Defense Agency



DEPARTMENT OF DEFENSE  
MISSILE DEFENSE AGENCY  
5700 18<sup>TH</sup> STREET  
FORT BELVOIR, VIRGINIA 22060-5573

IR

June 8, 2021

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR EVALUATIONS  
SPACE, INTELLIGENCE, ENGINEERING, AND OVERSIGHT

SUBJECT: Department of Defense Office of Inspector General External Peer Review of the  
Missile Defense Agency Internal Review Organization (Project Number D2021-  
DEVOSO-0015.000)

Thank you for giving the Missile Defense Agency (MDA) the opportunity to review the  
draft report of the External Peer Review of the MDA Internal Review Office. MDA's response  
is attached. If you have any questions, please contact [REDACTED]

[REDACTED]

A handwritten signature in black ink, appearing to read "J. Hill", is positioned above the typed name.

J. A. HILL  
Vice Admiral, USN  
Director

Attachment:  
As stated

## Missile Defense Agency (cont'd)

**RESPONSE TO DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL  
EXTERNAL PEER REVIEW OF THE MISSILE DEFENSE AGENCY INTERNAL  
REVIEW ORGANIZATION (PROJECT NUMBER D2021-DEV0SO-0015.000)**

**FINDING:** The Missile Defense Agency (MDA) Internal Review (IR) Office did not monitor the quality of work completed in Fiscal Year (FY) 2018 and FY 2020.

**RECOMMENDATION:** The Department of Defense Office of Inspector General recommends that the MDA IR Director update the Quality Assurance (QA) Program Standard Operating Procedure (SOP) to require that the audit organization, in accordance with sections 5.43 and 5.44 of the 2018 revision to the Government Auditing Standards,

- a. Perform monitoring of quality control procedures; and
- b. Analyze and summarize the results of the monitoring of quality procedures at least annually.

**MDA RESPONSE:** Concur. As stated in the report, effective January 2021, the MDA IR Office began performing monitoring of quality procedures on all completed audits. In addition, the MDA IR Office is updating the QA Program SOP to require the monitoring of quality procedures on all completed audits, and to analyze and summarize the results of the monitoring of quality control annually. The estimated completion date for this update is September 30, 2021.

ATTACHMENT

# Acronyms and Abbreviations

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

**IR** Internal Review

**MDA** Missile Defense Agency

# **Whistleblower Protection**

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

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