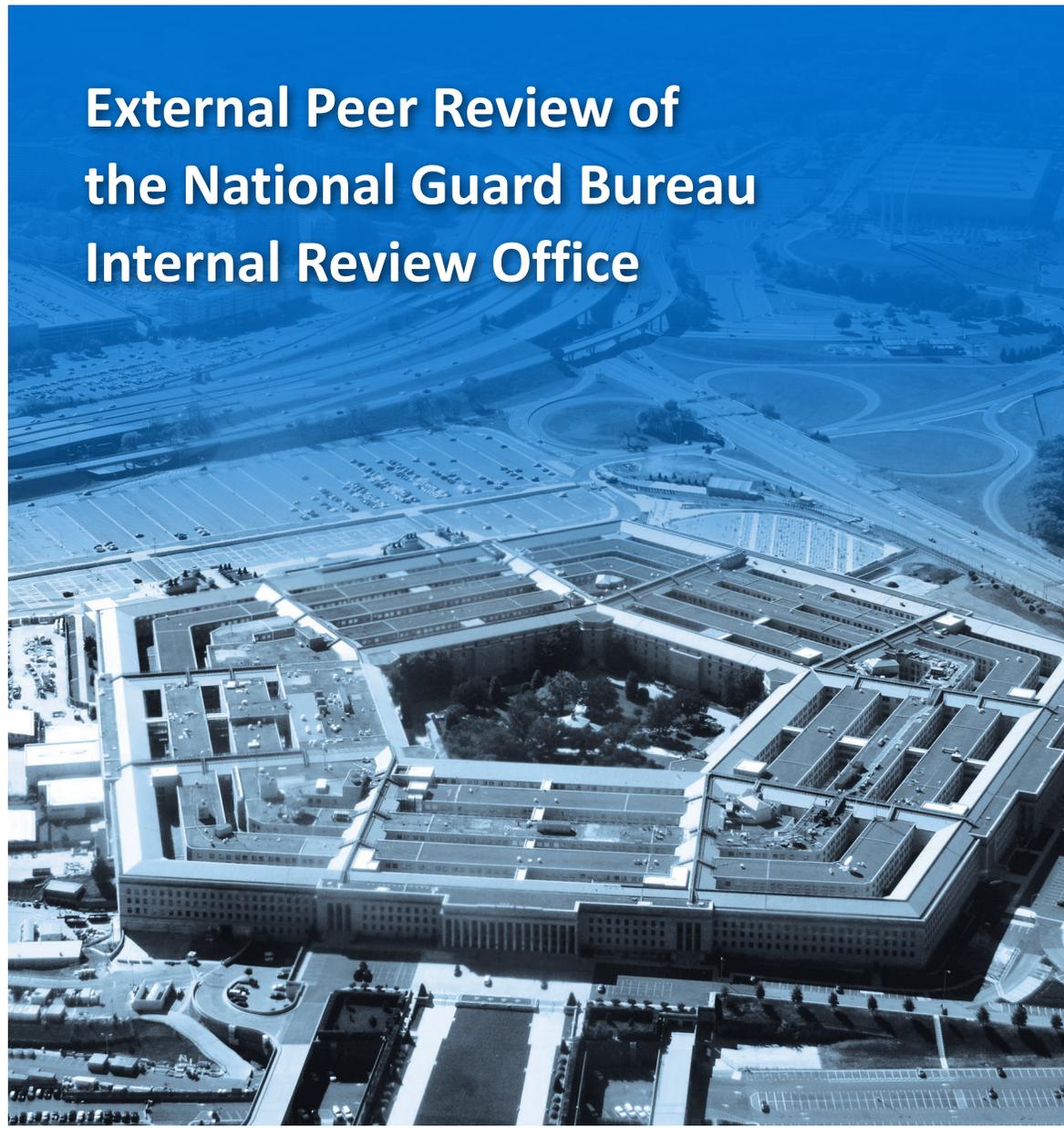




# INSPECTOR GENERAL

*U.S. Department of Defense*

FEBRUARY 10, 2022



## External Peer Review of the National Guard Bureau Internal Review Office

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





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

February 10, 2022

MEMORANDUM FOR CHIEF, NATIONAL GUARD BUREAU

SUBJECT: External Peer Review of the National Guard Bureau Internal Review Office  
(Report No. DODIG-2022-062)

This final report provides the results of the DoD Office of Inspector General's peer review on the National Guard Bureau Internal Review Office. We considered management's comments on the draft report when preparing this final report. These comments are included in the report.

The National Guard Bureau Internal Review Office agreed to all eight recommendations presented in the report. We consider Recommendations 1, 2, 3, 4, 6, and 7 resolved and open. As described in the Recommendations, Management Comments, and Our Response sections of this report, we will close the recommendations when you provide us documentation showing that all agreed-upon actions to implement the recommendations are completed. We consider Recommendations 5 and 8 closed because the associated management comments and completed actions fully addressed these recommendations.

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.

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**

February 10, 2022

**MEMORANDUM FOR THE CHIEF, NATIONAL GUARD BUREAU**

**SUBJECT: System Review Report on the External Peer Review of the National Guard Bureau  
Internal Review Office (Report No. DODIG-2022-062)**

We reviewed the system of quality control for the National Guard Bureau Internal Review (NGB IR) Office in effect for the 3-year period ended February 28, 2021. A system of quality control encompasses the NGB IR Office's 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.<sup>1</sup> The elements of quality control are described in the Government Auditing Standards.

In our opinion, except for the deficiencies described in this report, the system of quality control for the NGB IR Office in effect for the 3-year period ended February 28, 2021, has been suitably designed and complied with to provide the NGB IR Office with reasonable assurance of performing and reporting in conformity in all material respects with the Government Auditing Standards and applicable legal and regulatory requirements.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The NGB IR Office has received an external peer review rating of *pass with deficiencies*. The external peer review rating of *pass with deficiencies* is based on our assessment of the design of the NGB IR Office's system of quality control, the extent of compliance with the Government Auditing Standards, and NGB IR Office policies and procedures. We took into account the nature, pervasiveness, and relative importance of the deficiencies we identified during our review of the NGB IR Office's system of quality control and the extent of compliance with the Government Auditing Standards taken as a whole. These deficiencies, when taken as a whole for the NGB IR Office-Headquarters and the 54 United States Property and Fiscal Office (USPFO) IR divisions, support a *pass with deficiencies* rating for the NGB IR Office.

**Letter of Comment**

We have issued a Letter of Comment dated February 10, 2022, that sets forth findings we did not consider to be of sufficient significance to affect our opinion expressed in this report.

<sup>1</sup> The Government Auditing Standards are issued by the Government Accountability Office. The 2018 revision of the Government Auditing Standards became effective for performance audits beginning on or after July 1, 2019. Eight of the 19 performance audits and six of the nine nonaudit services selected as part of this peer review began while the 2011 revision of the Government Auditing Standards was still in effect.

## **Basis of Opinion**

We conducted our peer review 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,” September 2014 and March 2020 revisions.

During our peer review, we interviewed NGB IR audit personnel and obtained an understanding of the nature of the NGB IR Office and the design of its system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we nonstatistically selected samples of performance audits and nonaudit services to test for compliance with the Government Auditing Standards and the NGB IR Office system of quality control, consisting of:

- 4 of 18 performance audits conducted by the NGB IR Office-Headquarters;
- 15 of 105 performance audits conducted at 4 of the 54 NGB USPF0 IR divisions;
- 2 of 9 nonaudit services performed by the NGB IR Office-Headquarters; and
- 7 of 40 nonaudit services performed by 3 of the 54 NGB USPF0 IR divisions.

The performance audits and nonaudit services we selected represent a reasonable cross-section of the universe of audits and nonaudit services performed by NGB IR-Headquarters and the NGB USPF0 IR divisions during the 3-year period ended February 28, 2021.

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

We met with NGB IR Office management representatives to discuss the results of our peer review. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 identifies the scope and methodology, including listings of the 19 audits and 9 nonaudit services we selected for our review (see Tables 2 and 3). Table 4 of Enclosure 2 identifies the areas of deficiencies and findings that our review disclosed at the NGB IR Office-Headquarters and the four NGB USPF0 IR divisions we selected for our review.

## **Responsibilities and Limitation**

The NGB IR Office is responsible for establishing and maintaining a system of quality control designed to provide the NGB 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 NGB IR Office's compliance 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.

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

## Organization of the National Guard Bureau Internal Review Office

The NGB IR Office is an independent audit activity serving the National Guard Bureau Chief. The NGB IR Office assists senior managers in effectively furnishing objective analyses, appraisals, recommendations, consultations, and independently generated information concerning managed activities.

The NGB IR Office consists of the Headquarters office and 54 USPFO IR divisions. The USPFO IR divisions are state-level NGB IR offices that are organizationally aligned under and report directly to the United States Property and Fiscal Officer who is the independent Federal official in each state.

As the office of primary responsibility, the NGB IR Office-Headquarters:

- establishes NGB audit policies and procedures for the national and state-level internal review divisions;
- provides oversight to the national and state-level internal review divisions; and
- develops and provides training to national and state-level auditors.

We identified Deficiency 1 at the Connecticut USPFO IR Division and Deficiencies 2 and 3 at the Florida USPFO IR Division.

Where applicable, our description of each deficiency references the 2011 and 2018 revisions of the Government Auditing Standards because the 2018 revision became effective during the 3-year period covered by our review. Specifically, the 2011 revision of Government Auditing Standards applied to performance audits started from December 15, 2011, through June 30, 2019. The 2018 revision of the Government Auditing Standards applies to performance audits started on or after July 1, 2019. However, our recommendations reference only the 2018 revision of the Government Auditing Standards.

### Deficiency 1. Auditors Did Not Prepare Audit Documentation in Sufficient Detail for 3 of 19 Performance Audits

For 3 of the 19 performance audits we selected, the auditors did not prepare audit documentation in sufficient detail to understand the nature and the extent of the work performed. The Connecticut USPFO IR Division conducted all three of the audits that had deficiencies. The Connecticut USPFO IR Division completed 11 performance audits during the 3-year review period. Government Auditing Standard (GAS) 8.132 of the 2018 revision to the Government Auditing Standards states that auditors should prepare audit documentation in sufficient detail to enable an experienced auditor with no previous connection to the audit to

understand the nature, timing, extent, and results from the performed procedures. The audit documentation should also include all evidence obtained and their source, and the conclusions that the auditors reached.

In addition, the NGB IR Audit Documentation and Reporting Handbook contains guidance regarding the summary working paper format that auditors must use. The Handbook states that each working paper must contain sections with the purpose, source, scope, results, and conclusions. Also, the Handbook states that, as applicable, auditors should include the criteria and methodology.

The auditors did not prepare audit documentation in sufficient detail for the following audits:

- Report No. 2020-06, “Audit of Behavioral Health and Suicide Prevention/Resilience, Risk Reduction, and Suicide Prevention (R3SP) Program;”
- Report No. 2019-19, “Audit of the Employer Support of the Guard and Reserve (ESGR) Program;” and
- Report No. 2019-13, “Audit of the Government Purchase Card (GPC) Program.”<sup>2</sup>

Because the auditors did not prepare audit documentation in sufficient detail, we had to hold extensive discussions with the auditors to understand the work they performed.

The auditors prepared eight fieldwork summary working papers among the three audits.

We identified one or more audit documentation deficiencies for each summary working paper.

- Seven of the eight summary working papers did not include the criteria to provide a basis for evaluating the evidence and provide an understanding of the findings and conclusions. For instance, the auditors conducted the Audit of the Behavioral Health and Suicide Prevention/R3SP Program to determine whether the program complied with applicable policies and regulations, including DoD instructions and Army regulations. The three summary working papers did not identify the criteria, such as Army regulations, that the auditors used as a basis for determining four findings of noncompliance.
- Two of the eight summary working papers did not adequately describe the scope of the work performed. For instance, for the Audit of the ESGR Program, the scope section in one summary working papers stated that they audited “All transactions listed.”<sup>3</sup> The auditors did not provide the time period or a description of the listed transactions.
- Five of the eight summary working papers did not provide a description of the procedures performed as part of the auditor’s assessment of the audit evidence. For instance, for the “Audit of Behavioral Health and Suicide Prevention/R3SP Program,” the methodology section for all three of the summary working papers

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<sup>2</sup> Report No. 2020-06, “Audit of Behavioral Health and Suicide Prevention/R3SP Program,” July 24, 2020; Report No. 2019-19 “Audit of the ESGR Program,” February 19, 2020; and Report No. 2019-13, “Audit of the GPC Program,” October 15, 2019, respectively.

<sup>3</sup> Connecticut USFPO IR Division, Project No. 2019-19, “Audit of the ESGR Program,” summary working paper, “II-01.01 A. Audit Testing.”

prepared for the audit stated that the testing included a review of relevant records located within the Connecticut National Guard. The auditors did not explain the specific testing they conducted or identify the specific records they reviewed.

- Two of the eight summary working papers did not include a conclusion section. For instance, for the Audit of the ESGR Program, the audit objective was to determine whether the program's management and use of federal funds was in compliance with Employer Support of the Guard and Reserve and DoD instructions. By not including a conclusion section in the summary working paper for this audit, we could not determine whether, based on the auditor's tests and analysis, the program's management and use of funds complied with the instructions.

Although we needed to hold follow-up discussions with the Connecticut USPFO IR Division auditors to understand the work they performed, we determined that the auditors gathered sufficient and appropriate evidence to support the findings, conclusions, and recommendations. However, including the summary working paper elements required by the NGB IR Audit Documentation and Reporting Handbook would have allowed an experienced auditor, having no previous connection to the audit, to understand the extent of the procedures performed, all the evidence obtained and its source, and the conclusions that were reached, as required by GAS 8.132.

### ***The NGB IR Office Took Corrective Actions on a Prior Peer Review Recommendation for Audit Documentation***

The NGB IR Office took corrective actions to address a prior peer review recommendation for audit documentation deficiencies. In Report No. DODIG-2019-035, the DoD OIG reported that in two of nine performance audits, the NGB IR auditors did not prepare summary working papers in sufficient detail.<sup>4</sup> The DoD OIG recommended that the NGB IR Office Director develop and implement policies and procedures for annotating supporting working paper documentation to show its significance to the summary working paper. In January 2019, the Director discussed the deficiency with the supervisory auditors at the annual Supervisory Auditor Summit.<sup>5</sup> Also, the Director implemented policies and procedures for annotating supporting working paper documentation to show its significance to the related summary working paper.

However, the corrective actions did not prove to be fully effective because we still found audit documentation deficiencies associated with 3 of the 19 audits we selected for this peer review. The three audits were completed from October 2019, through July 2020, at least 10 months

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<sup>4</sup> Report No. DODIG-2019-052, "System Review Report for the External Peer Review of the National Guard Bureau Internal Review Office," February 7, 2019.

<sup>5</sup> The purpose of the Supervisory Auditor Summit is to provide NGB IR supervisory auditors with the knowledge necessary to effectively and competently manage auditors within the NGB IR Office. Additionally, the summit provides the supervisory auditors with updates to NGB IR audit policies and Government Auditing Standards, and addresses the deficiencies, findings and recommendations from the peer reviews conducted by the DoD OIG.

after the NGB IR Office implemented the corrective actions. Based on the results of this peer review, the Connecticut USPFO IR Division should take additional actions to ensure that auditors prepare audit documentation in sufficient detail.

## **Recommendation, Management Comments, and Our Response**

### ***Recommendation 1***

**We recommend that the United States Property and Fiscal Officer for the Connecticut National Guard develop a working paper checklist for the auditors assigned to the Internal Review division to use as a reminder of the requirements for preparing working papers in compliance with Government Auditing Standard 8.132 and the National Guard Bureau Internal Review Audit Documentation and Reporting Handbook.**

### ***National Guard Bureau Internal Review Director Comments***

The NGB IR Director agreed with the recommendation. Specifically, the Director stated that the USPFO IR Supervisory Auditor for the Connecticut National Guard will develop a working paper checklist for auditors assigned to the division. The checklist will be used as a reminder of the requirements for preparing working papers in compliance with Government Auditing Standards and the NGB IR Audit Documentation and Reporting Handbook. The NGB IR Director estimated that this action will be completed by March 1, 2022.

### ***Our Response***

Comments from the NGB IR Director addressed the recommendation. Therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the working paper checklist has been developed, which reminds auditors of the requirements for preparing working papers in compliance with Government Auditing Standards and the NGB IR Audit Documentation and Reporting Handbook.

## **Deficiency 2. The Supervisory Review of Working Papers was Not Documented Before the Issuance of 2 of 19 Audit Reports**

For 2 of the 19 performance audits we selected, the supervisor's review of summary working papers that supported the reported findings, conclusions, and recommendations, was not documented before the audit reports were issued. The Florida USPFO IR Division conducted the two audits. GAS 6.83c of the 2011 revision to the Government Auditing Standards and GAS 8.135c of the 2018 revision to the Government Auditing Standards state that auditors should document the supervisory review, before the audit report is issued, of the evidence that supports the findings, conclusions, and recommendations contained in the audit report. Consistent with the Government Auditing Standards, the NGB IR Audit Documentation and Reporting Handbook states that supervisory reviews of working papers must be documented before the audit report is issued.

For Report No. 2020-006, “Audit of Officers’ Uniform Allowance,” the supervisor’s review of two of three summary working papers was not documented before the audit report was issued.<sup>6</sup> Specifically, the supervisor documented her review of the working papers on November 10, 2020, 5 days after the audit report was issued on November 5, 2020.

For Report No. 2018-017, “Audit of Automated Time Attendance and Production System (ATAAPS) Overtime,” the supervisor’s review of all three summary working papers was not documented before the audit report was issued.<sup>7</sup> The supervisor documented her review of the working papers on April 29, 2019, more than 6 months after the audit report was issued on October 18, 2018.

Timely supervisory review of working papers is an important quality control that must be documented prior to audit report issuance. Documentation of supervisory reviews provides evidence that supervisors reviewed the working papers to ensure that the audit work was adequately performed and that the audit results are consistent with the findings, conclusions, and recommendations presented in the audit report.

## **Recommendation, Management Comments, and Our Response**

### ***Recommendation 2***

**We recommend that the Florida United States Property and Fiscal Office Internal Review Division Chief develop a tool, such as a working paper tracking checklist, to assist supervisors with detecting working papers that do not include evidence of supervisory review before issuing an audit report.**

### ***National Guard Bureau Internal Review Director Comments***

The NGB IR Director, responding on behalf of the Florida USPFO IR Division Chief, agreed with the recommendation. Specifically, the Florida USPFO IR Division Chief will implement a two-phase working paper review process to help ensure that working papers are completed in accordance with Government Auditing Standards, and reviewed and approved by the supervisor prior to issuance of a draft report. The NGB IR Director estimated that this action will be completed by May 27, 2022.

### ***Our Response***

Comments from the NGB IR Director addressed the recommendation. Therefore, the recommendation is resolved but will remain open. We will close the recommendation when we verify that the Florida USPFO IR Division has implemented the two-phase working

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<sup>6</sup> Report No. 2020-006, “Audit of Officers’ Uniform Allowance,” November 5, 2020.

<sup>7</sup> Report No. 2018-017, “Audit of ATAAPS Overtime,” October 18, 2018.

paper review process of ensuring that working papers are completed in accordance with the Government Auditing Standards, and reviewed and approved by the supervisor prior to issuance of a draft report.

### **Deficiency 3. Auditors Did Not Comply with the Government Auditing Standards on Three of Nine Nonaudit Services**

For three of the nine nonaudit services we selected, the auditors did not comply with one or more of the following Government Auditing Standards requirements for nonaudit services.

- GAS 3.34 of the 2011 revision to the Government Auditing Standards and GAS 3.64 of the 2018 revision to the Government Auditing Standards state that before auditors agree to provide a nonaudit service to an audited entity, the auditors should determine whether providing such a service would create a threat to independence, either by itself or in aggregate with other nonaudit services provided, with respect to any Government Auditing Standards engagement they conduct.
- GAS 3.34 of the 2011 revision to the Government Auditing Standards and GAS 3.73 of the 2018 revision to the Government Auditing Standards addresses management responsibilities for nonaudit services. GAS 3.73 states that auditors should determine that the audited entity has designated an individual who possesses suitable skill, knowledge, or experience and that the individual understands the services to be provided sufficiently to oversee them.
- GAS 3.34 of the 2011 revision to the Government Auditing Standards and GAS 3.74 of the 2018 revision to the Government Auditing Standards state auditors should document consideration of management’s ability to effectively oversee nonaudit services to be provided.
- GAS 3.37 of the 2011 revision to the Government Auditing Standards and GAS 3.76 of the 2018 revision to the Government Auditing Standards state auditors providing nonaudit services to audited entities should obtain agreement from audited entity management that audited entity management performs the following functions in connection with the nonaudit services:
  - assumes all management responsibilities;
  - oversees the services, by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience;
  - evaluates the adequacy and results of the services provided; and
  - accepts responsibility for the results of the services.

- GAS 3.39 of the 2011 revision to the Government Auditing Standards and GAS 3.77 of the 2018 revision to the Government Auditing Standards state that, in connection with nonaudit services, auditors should establish and document their understanding with the audited entity’s management or those charged with governance, as appropriate, on:
  - objectives of the nonaudit service;
  - services to be performed;
  - audited entity’s acceptance of its responsibilities;
  - the auditor’s responsibilities; and
  - any limitations of the nonaudit service.

The Florida USPFO IR Division did not comply with the Government Auditing Standards for three nonaudit services that it performed. For example, the Florida USPFO IR Division nonaudit service, “Qualified Recycling Program,” did not comply with GAS 3.64 because the auditors did not determine whether providing the service would create a threat to independence. However, we did not identify any actual independence impairments associated with the Florida USPFO IR Division auditors who performed the three nonaudit services. Compliance with the Government Auditing Standards for nonaudit services is important to maintain the auditor’s independence. Table 1 identifies the Government Auditing Standards that the Florida USPFO IR Division did not comply with when it performed the three nonaudit services.

*Table 1. Government Auditing Standard Noncompliances for Nonaudit Services Performed at the Florida USPFO IR Division*

Nonaudit Service	GAS 3.34, 2011 Revision and GAS 3.64, 2018 Revision	GAS 3.34, 2011 Revision and GAS 3.73, 2018 Revision	GAS 3.34, 2011 Revision and GAS 3.74, 2018 Revision	GAS 3.37, 2011 Revision and GAS 3.76, 2018 Revision	GAS 3.39, 2011 Revision and GAS 3.77, 2018 Revision
Qualified Recycling Program	X	X	X	X	X
Construction and Facilities Management Officer 420-R Process Review		X		X	
Automated Funds Control Orders System Review		X	X	X	

Note: An “X” denotes that the nonaudit service did not comply with the Government Auditing Standards.  
 Source: The DoD OIG.

The NGB IR Office issued two memorandums on December 20, 2017, and January 27, 2021, that provided guidance to the auditors for performing nonaudit services.<sup>8</sup> The guidance states that the auditors must follow the Government Auditing Standards when performing nonaudit services and prepare documentation to provide evidence of the auditor’s judgments in forming conclusions regarding compliance with the Government Auditing Standards’ independence requirements.

### ***The NGB IR Office Took Corrective Actions on a Prior Peer Review Recommendation for Nonaudit Services***

The NGB IR Office took corrective actions to address a prior peer review recommendation regarding nonaudit services. In Report No. DODIG-2019-035, the DoD OIG reported that for all 10 of the nonaudit services reviewed, the NGB IR auditors did not document their consideration of the ability of the audited entity’s management to effectively oversee the nonaudit service provided by the auditor. The DoD OIG recommended that the NGB IR Office Director review a sample of nonaudit services provided after December 20, 2017, to determine whether auditors documented and considered the ability of the audited entity’s management to effectively oversee the nonaudit service provided as required by the Government Auditing Standards. In February 2020, the NGB IR Office-Headquarters reviewed nonaudit services performed by 11 NGB USPFO IR divisions to determine if the auditors documented and considered the ability of the audited entity’s management to effectively oversee the nonaudit service.<sup>9</sup> The review identified three NGB USPFO IR divisions that did not comply with GAS 3.34 because they did not document and consider the ability of the audited entity’s management to effectively oversee the nonaudit services.

Based on the results of this peer review, which found that the Florida USPFO IR Division did not comply with the Government Auditing Standards for three nonaudit services it performed, the Florida USPFO IR Division should take additional action to ensure that auditors perform nonaudit services in accordance with the Government Auditing Standards.

## **Recommendation, Management Comments, and Our Response**

### ***Recommendation 3***

**We recommend that the United States Property and Fiscal Officer for the Florida National Guard require that the auditors assigned to Internal Review Division obtain training on performing nonaudit services in accordance with the Government Auditing Standards.**

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<sup>8</sup> National Guard Internal Review Policy, “Independence Impairment Assessment When Planning to Perform Nonaudit Engagements,” January 27, 2021 was issued to reflect the 2018 revision to the Government Auditing Standards.

<sup>9</sup> The NGB IR Office-Headquarters did not review the nonaudit services performed by the Florida USPFO IR Division.

## *National Guard Bureau Internal Review Director Comments*

The NGB IR Director, responding on behalf of the Florida USPFO IR Division Chief, agreed with the recommendation. Specifically, the Florida USPFO IR Division will limit the number of nonaudit services it performs and institute a mandatory training session for nonaudit services that auditors must complete before the performance of any nonaudit service. The Florida USPFO IR Division will coordinate with the NGB IR Office-Headquarters on how to adequately complete the training. The NGB IR Director estimated that the training will be completed by May 27, 2022.

## *Our Response*

Comments from the NGB IR Director addressed the recommendation. Therefore, the recommendation is resolved but will remain open. We will close the recommendation when we verify that the auditors in the Florida USPFO IR Division have received training on nonaudit services.

As is customary, we have issued a Letter of Comment dated February 10, 2022, that sets forth findings we did not consider to be of sufficient significance to affect our opinion expressed in this system review report. If you have any questions or would like to meet to discuss the 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

# Enclosure 1

## Scope and Methodology

We conducted this peer review from March 2021 through December 2021 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 require that we obtain an understanding of the reviewed organization's system of quality control and conclude whether the:

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

We requested that the NGB IR Office review a draft of this report to identify whether any of its reported information, including legacy FOUO information, should be safeguarded and marked in accordance with the DoD CUI Program. In preparing and marking this report, we considered any comments submitted by the NGB IR Office about the CUI treatment of its information. If the NGB IR Office failed to provide any or sufficient comments about the CUI treatment of its information, we marked the report based on our assessment of the available information.

This peer review covered the 3-year period from March 1, 2018, through February 28, 2021. We tested compliance with the NGB IR Office's system of quality control to the extent we considered appropriate. These tests included selecting a nonstatistical sample of performance audits and nonaudit services conducted by the NGB IR Office-Headquarters and the Connecticut, Delaware, Florida, and Texas USPFO IR Divisions from March 1, 2018, through February 28, 2021. We selected the four divisions because the NGB IR Office-Headquarters had not selected these divisions in its most recent internal quality assurance review. We used the appendixes and procedures in the September 2014 and March 2020 revisions of the CIGIE Guide identified in the following sections to conduct this peer review.

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

We reviewed the NGB IR Office audit policies and procedures to determine whether the policies and procedures complied with the Government Auditing Standards. We requested that the NGB IR Office complete Column 1 of the CIGIE Guide's Appendix A, "Policies and Procedures," and provide a copy of relevant audit policies and procedures. In Column 2 of Appendix A, we recorded our conclusions and comments on whether the NGB IR Office's policies and procedures are adequate and comply with the Government Auditing Standards. We concluded that the NGB IR Office's policies and procedures are adequate and comply with the Government Auditing Standards.

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

Using the CIGIE Guide's Appendix B checklist, we tested the NGB IR Office's compliance with the Government Auditing Standards general standards, consisting of independence, competence, continuing professional education, and quality control and peer review. We reviewed the continuing professional education documentation for 22 of the 24 auditors at the NGB IR Office-Headquarters and four USPFO IR divisions to determine whether they obtained the required number of continuing professional education hours and to determine whether the auditors were competent.<sup>10</sup> We also reviewed documentation of independence to determine whether the NGB IR Office met the Government Auditing Standards requirements for independence documentation.

Additionally, we reviewed all three internal quality assurance reviews that the NGB IR Office-Headquarters completed from March 1, 2018, through February 28, 2021, to determine whether the NGB IR Office:

- performed monitoring procedures that enabled it to assess compliance with professional standards and 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 improvement with recommendations for corrective action.

We concluded that the NGB IR Office complied with the Government Auditing Standards related to competence, continuing professional education, and quality control and peer review. However, we identified a deficiency in the area of independence. Specifically, the Florida USPFO IR Division performed three nonaudit services that did not comply with the Government Auditing Standards. See Deficiency 3 of this report for additional details. Additionally, we identified a finding in the area of independence. Specifically, the auditors at the Delaware USPFO IR Division did not complete statements of independence for two audits. See the Letter of Comment, Finding 3, for additional details.

## ***Performance Audits Conducted by the NGB IR Office (CIGIE Guide Appendix E)***

For the 3-year period ended February 28, 2021, we nonstatistically selected a sample of 19 performance audits for our review, consisting of:

- 4 of 18 conducted by the NGB IR Office-Headquarters; and
- 15 of the 105 conducted by 4 of the 54 NGB USPFO IR divisions.

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<sup>10</sup> We did not review the continuing professional education documentation for 2 of the 24 auditors at the NGB IR Office because one of the auditors began working at the NGB IR Office during the last month of the 2-year CPE cycle, and the other auditor began working at the NGB Office after the 2-year CPE cycle ended.

In selecting our nonstatistical sample, we chose performance audits that would provide a reasonable cross-section of performance audits that the NGB IR Office conducted. For example, we chose performance audits that resulted in the selection of various audit supervisors and auditors from the NGB IR Office-Headquarters and four USPFO IR divisions. We reviewed the performance audits for compliance with the Government Auditing Standards using Appendix E of the CIGIE Guide. Table 2 lists the performance audits we selected for our review.

*Table 2. Performance Audits Selected for Review*

Audit Title	Report Number	NGB IR Office
Audit of Puerto Rico National Guard Nonappropriated Fund Instrumentality	2018-002	Headquarters
Audit of Guard Material Management Center	2018-003	Headquarters
Audit of Air National Guard - Logistics and Installations and Army National Guard-Logistics Government Purchase Card Usage-Colorado National Guard	2019-008	Headquarters
Audit of Air National Guard - Logistics and Installations (NGB A4) and Army National Guard-Logistics (ARNG G4) GPC Usage- Nationwide	2019-012	Headquarters
Audit of the Employer Support of the Guard and Reserve Program	2019-019	Connecticut USPFO IR Division
Audit of the Government Purchase Card Program	2019-013	Connecticut USPFO IR Division
Audit of the Behavioral Health and Suicide Prevention/ R3SP Program	2020-006	Connecticut USPFO IR Division
Audit of the Army National Guard Anti-Terrorism (App 10) Cooperative Agreement	18-18	Delaware USPFO IR Division
Audit of the Army National Guard Security Guard (App 3) Cooperative Agreement	18-12	Delaware USPFO IR Division
Audit of the Air National Guard 166th LSS Transportation Management Office	20-04	Delaware USPFO IR Division
Audit of the Air National Guard Security Guards (App 23) Cooperative Agreement	20-19	Delaware USPFO IR Division
Audit of Automated Time Attendance and Production System Overtime	2018-017	Florida USPFO IR Division
Audit of the Equal Employment Opportunity Program	2018-026	Florida USPFO IR Division
Audit of Air National Guard-Logistics and Installations (NGB A4) and Army National Guard-Logistics (ARNG G4) GPC Usage-Nationwide	2019-016	Florida USPFO IR Division
Audit of Officers' Uniform Allowance	2020-006	Florida USPFO IR Division
149th FW Dual Compensation Program	2018-016	Texas USPFO IR Division
Basic Allowance for Housing Follow-up Audit	2019-023	Texas USPFO IR Division

Table 2. Performance Audits Selected for Review (cont'd)

Audit Title	Report Number	NGB IR Office
Audit of the Qualified Recycling Program	2020-020	Texas USPFO IR Division
Audit of Appendix 23, Air National Guard Security Cooperative Agreement, Lackland	2021-005	Texas USPFO IR Division

Source: The DoD OIG.

### **Nonaudit Services Performed by the NGB IR Office**

For the 3-year period ended February 28, 2021, we nonstatistically selected a sample of 9 nonaudit services for our review, consisting of:

- 2 of 9 performed by the NGB IR Office-Headquarters; and
- 7 of 40 performed by three of the four selected USPFO IR divisions.<sup>11</sup>

In selecting our nonstatistical sample, we chose nonaudit services that would provide a reasonable cross-section of nonaudit services that the NGB IR Office performed. For example, we chose nonaudit services that resulted in the selection of various audit supervisors and auditors from the NGB IR Office-Headquarters and four USPFO IR divisions. We reviewed the nonaudit services to determine whether the nonaudit services complied with the Government Auditing Standards. Table 3 lists the nonaudit services we selected.

Table 3. Nonaudit Services Selected for Review

Nonaudit Service	Project Number	NGB IR Office
Consulting Review of Rhode Island Government Purchase Card	2019-006	Headquarters
Consulting Review of Selection Board Procedures	2020-005	Headquarters
Facilities Inventory and Support Plan	2018-011	Connecticut USPFO IR Division
Billeting Fund	2019-011	Connecticut USPFO IR Division
Comptroller Support	2019-012	Connecticut USPFO IR Division
Development of the Delaware National Guard Corrective Action Plan	18-01	Delaware USPFO IR Division
Automated Funds Control Orders Entitlement Review	2020-004	Florida USPFO IR Division
Qualified Recycling Program	2018-009	Florida USPFO IR Division
Construction and Facilities Management Office Review	2018-021	Florida USPFO IR Division

Source: The DoD OIG.

<sup>11</sup> The Texas USPFO IR Division did not conduct any nonaudit services during the 3-year review period.

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

We interviewed all 24 audit supervisors and auditors at the NGB IR Office-Headquarters located in Arlington, Virginia; and the USPFO IR divisions located in Austin, Texas; Hartford, Connecticut; New Castle, Delaware; and St. Augustine, Florida. We interviewed the audit supervisors and auditors to determine their understanding of, and compliance with, the NGB IR Office quality control policies and procedures. Based on the results of the interviews, we concluded that the supervisors and auditors at the NGB IR Office-Headquarters and USPFO IR divisions were professionally competent and had an adequate understanding of the NGB IR Office's audit policies and procedures and the Government Auditing Standards.

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

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

## **Prior Coverage**

During the last 5 years, the DoD OIG issued one report discussing the prior peer review of the NGB 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-2019-052, "System Review Report for the External Peer Review of the National Guard Bureau Internal Review Office," February 7, 2019

The DoD OIG evaluated whether the NGB IR Office's system of quality control in effect for the 3-year period ended February 28, 2018, was suitably designed. The DoD OIG also evaluated whether the NGB IR Office complied with its quality control system to provide it with reasonable assurance of conformity with professional standards and applicable legal and regulatory requirements in all material respects. The NGB IR Office received a peer review rating of *pass with deficiencies*.

## Enclosure 2

### Deficiencies and Findings at the NGB IR Office-Headquarters and the NGB USPFO IR Divisions

For the 19 performance audits and 9 nonaudit services we reviewed at the NGB IR Office-Headquarters and the four NGB USPFO IR divisions, we identified three deficiencies and seven findings during our testing for compliance with the Government Auditing Standards. We discuss the seven findings in the attached Letter of Comment. Table 4 identifies the areas for the deficiencies and Letter of Comment findings by location.

*Table 4. Areas of Government Auditing Standard Deficiencies and Findings Identified at the NGB IR Office-Headquarters and the Four Selected NGB USPFO IR Divisions*

NGB IR Office	Performance Audits		Nonaudit Services	
	Deficiencies	Findings	Deficiencies	Findings
NGB IR Office-Headquarters	None	Planning	None	None
Connecticut USPFO IR Division	Documentation	Planning	None	None
Delaware USPFO IR Division	None	Independence and Planning	None	None
Florida USPFO IR Division	Supervision	Planning and Reporting	Independence and Documentation	None
Texas USPFO IR Division	None	Planning	None	None

Source: The DoD OIG.



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

February 10, 2022

MEMORANDUM FOR CHIEF, NATIONAL GUARD BUREAU

SUBJECT: Letter of Comment on the External Peer Review of the NGB IR Office  
(Report No. DODIG-2022-062)

We have reviewed the system of quality control for the National Guard Bureau Internal Review (NGB IR) Office in effect for the 3-year period ended February 28, 2021, and have issued our System Review Report on February 10, 2022, in which the NGB IR Office received a rating of *pass with deficiencies*. 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 rendered in the System Review Report. Findings 1 and 2 were identified at the NGB IR Office-Headquarters and at one or more NGB USPFO IR divisions. Findings 3, 4, 5, and 6 were identified at one or more NGB USPFO IR divisions.

## **Findings Identified at the NGB IR Office-Headquarters and the NGB United States Property and Fiscal Office, Internal Review Divisions**

### ***Finding 1. Auditors for Four Audits Did Not Evaluate Findings and Recommendations from Previous Engagements***

For 4 of the 19 performance audits we selected, the auditors did not evaluate whether the audited entity took appropriate corrective actions to address findings and recommendations from previous engagements that were significant within the context of the audit objectives. Of the four performance audits, the NGB IR Office-Headquarters conducted one of the audits and the Florida USPFO IR Division conducted three of the audits. Specifically, the auditors at the NGB IR Office-Headquarters did not evaluate findings and recommendations from Report No. 2018-003, "Audit the Guard Material Management Center."<sup>12</sup> The auditors at the Florida USPFO IR Division did not evaluate findings and recommendations from the following three reports:

- Report No. 2020-006, "Audit of Officers' Uniform Allowances"
- Report No. 2018-17, "Audit of Audit of Automated Time and Attendance Production System (ATAAPS) Overtime"
- Report No. 2018-026, "Audit of the Equal Employment Opportunity Program"<sup>13</sup>

<sup>12</sup> Report No. 2018-003, "Audit of the Guard Material Management Center," June 3, 2019.

<sup>13</sup> Report No. 2020-006, "Audit of Officers' Uniform Allowances," November 5, 2020; Report No. 2018-17, "Audit of ATAAP Overtime," October 18, 2018; and Report No. 2018-026, "Equal employment Opportunity Program," May 17, 2019.

GAS 6.36 of the 2011 revision to the Government Auditing Standards and GAS 8.30 of the 2018 revision to the Government Auditing Standards state that auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements which are significant within the context of the audit objectives. When auditors do not evaluate prior audit findings and recommendations from previous engagements, the auditors cannot fully assess risk and determine 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.

## **Recommendation, Management Comments, and Our Response**

### ***Recommendation 4***

**We recommend that the National Guard Bureau Internal Review Director issue a memorandum to the auditors at the National Guard Bureau Internal Review Office-Headquarters and the United States Property and Fiscal Office, Internal Review divisions to emphasize the need to evaluate whether the audited entity took appropriate corrective actions to address findings and recommendations from previous engagements that were significant within the context of the audit objectives.**

### ***National Guard Bureau Internal Review Director Comments***

The NGB IR Director agreed with the recommendation. Specifically, the Director will update the NGB IR Office's audit follow-up policy to emphasize the need to evaluate whether the audited entity took appropriate corrective actions to address findings and recommendations from previous engagements that were significant within the context of the audit objectives. The NGB IR Director estimated that the policy will be updated by March 31, 2022, and discussed during the NGB IR Office's training workshop in May 2022.

### ***Our Response***

Comments from the NGB IR Director addressed the recommendation. Therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the Director updated the NGB IR Office's audit follow-up policy to emphasize the need to evaluate whether the audited entity took appropriate corrective actions to address findings and recommendations from previous engagements that were significant within the context of the audit objectives.

## Recommendation, Management Comments, and Our Response

### **Recommendation 5**

We recommend that the Florida United States Property and Fiscal Office Internal Review Division Chief revise the Division's program risk assessment to add a section for previous engagements which emphasizes that auditors evaluate whether the audited entity has taken appropriate corrective actions to address findings and recommendations from previous engagements that were significant within the context of the audit objectives.<sup>14</sup>

### **National Guard Bureau Internal Review Director Comments**

The NGB IR Director, responding on behalf of the Florida USPFO IR Division Chief, agreed with the recommendation. Specifically, the Florida USPFO IR Division updated its Audit Notification Letter template on December 6, 2021, to include a request for the audited entity to identify previous engagements that directly relate to the current audit objective, including whether recommendations from the previous engagements were implemented.<sup>15</sup> Florida USPFO IR Division representatives explained that the auditors will use the information received in response to the Audit Notification Letter to prepare the audit risk assessment and audit plan for each assignment, which will reflect the impact that previous engagements and recommendations may have on the current audit.

### **Our Response**

Comments from the NGB IR Director addressed all specifics of the recommendation. To verify that the corrective actions were taken, we reviewed the Internal Review Division's updated Audit Notification Letter template. We verified that the updated template includes a request for the audited entity to identify previous engagements that directly relate to the audit objective, including whether related recommendations were implemented. The updated template meets the intent of our recommendation. Therefore, we are closing the recommendation.

### **Finding 2. Auditors for 14 Audits Did Not Inquire About Ongoing Investigations or Legal Proceedings Significant to the Audit Objectives**

For 14 of the 19 performance audits we selected, the auditors did not determine whether there were any ongoing investigations or legal proceedings that were significant within the context of the audit objectives. GAS 6.11e of the 2011 revision to the Government Auditing Standards states that auditors should assess audit risk and significance within the context

<sup>14</sup> The Florida USPFO IR Division uses a program risk assessment matrix to assist them obtain an understanding of the nature of the audited program, assess audit risk based on the effectiveness of the program's internal controls, and assess audit risk due to fraud or error.

<sup>15</sup> The Florida USPFO IR Division issues an auditee notification letter to management of the audited entity to communicate information about the specific nature of the audit to be conducted and the audit objective.

of the audit objectives by gaining an understanding of ongoing investigations or legal proceedings. Also, GAS 8.27 of the 2018 revision to the Government Auditing Standards states that auditors should inquire of management of the audited entity whether any investigations or legal proceedings significant to the audit objectives have been initiated or are in process with respect to the period under audit, and should evaluate the effect of initiated or in-process investigations or legal proceedings on the current audit. In addition, GAS 8.29 of the 2018 revision to the Government Auditing Standards states avoiding interference with investigations or legal proceedings is important in pursuing indications of fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements.

Table 5 lists the 14 audits where the auditors did not inquire about ongoing investigations or legal proceedings.

*Table 5. Audits at the NGB IR Office-Headquarters and NGB USPFO IR Divisions Where the Auditors Did Not Inquire about Ongoing Investigations or Legal Proceedings*

Audit Title	Report Number	NGB IR Office
Audit of Guard Material Management Center	2018-003	Headquarters
Audit of Air National Guard-Logistics and Installations and Army National Guard-Logistics Government Purchase Card Usage-Colorado National Guard	2019-008	Headquarters
Audit of the Employer Support of the Guard and Reserve ESGR Program	2019-019	Connecticut USPFO IR Division
Audit of the Government Purchase Card Program	2019-013	Connecticut USPFO IR Division
Audit of the Behavioral Health and Suicide Prevention/R3SP Program	2020-006	Connecticut USPFO IR Division
Audit of the Army National Guard Anti-Terrorism (App 10) Cooperative Agreement	18-18	Delaware USPFO IR Division
Audit of the Army National Guard Security Guards (App 3) Cooperative Agreement	18-12	Delaware USPFO IR Division
Audit of the Air National Guard 166th LSS Transportation Management Office	20-04	Delaware USPFO IR Division
Audit of Automated Time Attendance and Production System Overtime	2018-017	Florida USPFO IR Division
Audit of the Equal Employment Opportunity Program	2018-026	Florida USPFO IR Division
Audit of Air National Guard-Logistics and Installations (NGB A4) and Army National Guard-Logistics (ARNG G4) Government Purchase Card Usage-Nationwide	2019-016	Florida USPFO IR Division
Audit of Officers' Uniform Allowance	2020-006	Florida USPFO IR Division
Audit of the Qualified Recycling Program	2020-020	Texas USPFO IR Division
Audit of the 149th FW Dual Compensation Program	2018-016	Texas USPFO IR Division

Source: The DoD OIG.

## Corrective Actions Taken

While the 14 audits were conducted, the NGB IR Office did not have policies and procedures for the auditors to gain an understanding of ongoing investigations or legal proceedings. Based on a similar finding that the DoD OIG identified during the previous peer review of the NGB IR Office in 2018, the NGB IR Office Director developed and implemented policies and procedures for auditors to gain an understanding of ongoing investigations or legal proceedings that are significant within the context of the audit objectives. The policies and procedures were implemented in March 2020, which was after the 15 audits were conducted. The NGB IR Audit Documentation and Reporting Handbook now includes a checklist that auditors should use during the planning phase of each audit. The checklist includes a step for the auditors to verify that they determined whether there are any investigations or legal proceedings significant to the audit objective.

Additionally, after the selected audits were completed, three of the four USPFO IR divisions (Florida, Texas, and Delaware) took corrective actions to address this finding.

- In March 2020, the Texas USPFO IR Division updated its auditee notification memorandum template to include a request for the audited entity to identify any ongoing investigations or legal proceedings that are significant within the context of the audit objective.<sup>16</sup>
- In January 2021, the Florida USPFO IR Division updated its entrance conference slides template to ensure the auditors inquire about any legal proceedings or investigations. If the auditors are advised by the audited entity during the entrance conference that legal proceedings or investigations have been initiated, the auditors document this information in a working paper and may consider suspending the audit to avoid interference with the investigations or legal proceedings.
- In June 2021, the Delaware USPFO IR Division updated its program risk assessment matrix to require that auditors inquire about any legal proceedings or investigations during the preliminary phase of each audit.<sup>17</sup>

The corrective actions taken by the NGB IR Office Director and the three USPFO IR divisions should be adequate to help ensure that the auditors determine whether there are any ongoing investigations or legal proceedings that are significant within the context of the audit objectives during future audits. Therefore, we are not making any additional recommendations.

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<sup>16</sup> The Texas USPFO IR Division issues an auditee notification memorandum to management of the audited entity to communicate information about the specific nature of the audit to be conducted and the audit objective.

<sup>17</sup> The Delaware USPFO IR Division uses a program risk assessment matrix to assist them in obtaining an understanding of the nature of the audited program, assess audit risk based on the effectiveness of the program's internal controls, and assess audit risk due to fraud or error.

## Findings Identified Only at the NGB United States Property and Fiscal Office, Internal Review Divisions

### ***Finding 3. Auditors Did Not Complete Independence Statements***

For 2 of the 19 performance audits we selected, the auditors at the Delaware USPFO IR Division did not complete independence statements to certify that they did not have any independence impairments. GAS 3.02 of the 2011 revision to the Government Auditing Standards and GAS 3.18 of the 2018 revision to the Government Auditing Standards state in all matters relating to the Government Auditing Standards engagement, auditors must be independent from an audited entity. For Report No. 18-18, “Audit of Army National Guard Anti-Terrorism (App 10) Cooperative Agreement” and Report No. 18-12, “Audit of Army National Guard Security Guards (App 3) Cooperative Agreement,” the supervisory auditor and one auditor did not complete a statement of independence.<sup>18</sup>

The supervisory auditor at the Delaware USPFO IR Division informed us that the Division updated its independence policies and procedures in February 2020, after the two audits we reviewed were completed. Specifically, the Division updated its Standard Operating Procedures after an internal quality assurance review conducted by the NGB IR Office-Headquarters found that some auditors were not completing independence statements.<sup>19</sup>

Prior to February 2020, only an auditor who is also a member of the Delaware National Guard was required to complete a statement of independence due to being a member of the military organization under audit and the potential for undue influence by officials subject to audit. We reviewed the Division’s updated independence policies and procedures and confirmed that all auditors are now required to complete an independence statement.

We did not identify any independence impairments associated with the Delaware USPFO IR Division auditors who performed the two performance audits. Because the Delaware USPFO IR division has already taken corrective actions to address this finding, we are not making any recommendations.

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<sup>18</sup> Report No. 18-18, “Audit of Army National Guard Anti-Terrorism (App 10) Cooperative Agreement, December 31, 2019 and Report No. 18-12, “Audit of Army National Guard Security Guards (App 3) Cooperative Agreement, December 30, 2019, respectively.

<sup>19</sup> In addition to the audit policies and procedures that are established by the NGB IR Office-Headquarters, the Delaware USPFO IR division established its own Standard Operating Procedures for conducting audits. We did not assess the Division’s Standard Operating Procedures to determine whether the procedures were adequate and complied with the Government Auditing Standards. We did not perform the assessment because the audit policies and procedures established by the NGB IR Office-Headquarters are the overarching criteria that the auditors should use when conducting audits.

#### ***Finding 4. Auditors Did Not Clearly Develop the Effects of Four Findings***

For 1 of the 19 performance audits we selected, the auditors at the Connecticut USPFO IR Division did not develop the effects of their findings. Specifically, the auditors assigned to the Audit of Behavioral Health and Suicide Prevention/R3SP Program reported on four findings, but they did not address the effects of those findings.

GAS 8.116 of the 2018 revision to the Government Auditing Standards states, as part of a performance audit, when auditors identify findings, they should plan and perform procedures to develop the criteria, condition, cause, and effect of the findings to the extent that these elements are relevant and necessary to achieve the audit objectives. Also, GAS 8.127 of the 2018 revision to the Government Auditing Standards states the effect or potential effect is the outcome or consequence resulting from the difference between the condition and the criteria. In addition, GAS 8.127 states when the audit objectives include identifying the actual or potential consequences of a condition that varies (either positively or negatively) from the criteria identified in the audit, the effect is a measure of those consequences. Further, GAS 8.127 states the effect or potential effect may be used to demonstrate the need for corrective action in response to identified problems or relevant risks. Also, GAS 9.24 of the 2018 revision to the Government Auditing Standards states clearly developed findings assist management and oversight officials of the audited entity in understanding the need for taking corrective action. Additionally, the NGB IR Audit Documentation and Reporting Handbook states that “a finding must identify the effect, what did or could result.”<sup>20</sup> Lastly, the Handbook states when discussing the effect, auditors must discuss the risk of continuing deficient procedures.

The auditors did not develop the effects, or potential effects, of the four findings they identified during the Audit of Behavioral Health and Suicide Prevention/R3SP Program. The audit objective was to determine whether the program complied with applicable policies and regulations, including Army regulations, related to the staffing structure, use of federal resources for suicide prevention training, oversight of the evaluation of internal controls, and reporting suicides and suicide attempts.

During the audit, the auditors identified four conditions of noncompliance with Army regulations regarding the program’s staffing structure, oversight of the evaluation of internal controls, and reporting of suicides and suicide attempts. The auditors found that the program did not:

- appoint a State Resilience Coordinator who met regulatory rank requirements,
- appoint Suicide Intervention Officers in each unit within the Connecticut Army National Guard,

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<sup>20</sup> NGB IR Audit Documentation and Reporting Handbook, May 1, 2020.

- certify that internal controls were evaluated, and
- submit suspected suicide event reports in a timely manner.

The auditors developed different causes for each of the four conditions. However, for the effect for each condition, the audit report stated simply that the effects were “noncompliance with regulatory requirements.”<sup>21</sup>

## **Recommendation, Management Comments, and Our Response**

### ***Recommendation 6***

**We recommend that the Connecticut United States Property and Fiscal Office Internal Review Division Supervisory Auditor develop a tool, such as a finding development matrix, to help the auditors clearly develop the effects of findings which identify the outcome or consequence resulting from the audited entity not complying with the criteria and include the concept of developing effects or potential effects that may be used to demonstrate the need for corrective action in response to identified problems or relevant risks.**

### ***National Guard Bureau Internal Review Director Comments***

The NGB IR Director, responding on behalf of the Connecticut USPFO IR Division Supervisory Auditor, agreed with the recommendation. Specifically, the Connecticut USPFO IR Division Supervisory Auditor will develop a tool to help auditors clearly develop the effects of findings, which identify the outcome or consequence resulting from the audited entity not complying with the criteria. The tool will include the concept of developing effects or potential effects that may be used to demonstrate the need for corrective action in response to identified problems. The NGB IR Director anticipates that this action will be completed by March 1, 2022.

### ***Our Response***

Comments from the NGB IR Director addressed the recommendation. Therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the Connecticut USPFO IR Division has developed a tool to help auditors clearly develop the effects of findings.

### ***Finding 5. One Audit Report Contained Two Different Audit Objectives***

For 1 of the 19 performance audits we selected, the Florida USPFO IR Division issued the audit report discussing two different audit objectives. GAS 7.10 of the 2011 revision to the Government Auditing Standards states that auditors should communicate audit objectives in the audit report in a clear manner which includes relevant assumptions.<sup>22</sup> GAS 7.10 further

<sup>21</sup> Report No. 2020-06, “Audit of Behavioral Health and Suicide Prevention/R3SP Program,” July 24, 2020.

<sup>22</sup> Section 9.11 of the 2018 Government Auditing Standards addresses this requirement.

states that, to avoid potential misunderstanding when audit objectives are limited but users could infer broader objectives, auditors should state in the audit report that certain issues were outside the scope of the audit.

The audit report for the Audit of ATAAPS Overtime contained two different audit objectives. One of the audit objectives was identified in the Executive Summary and the other was identified in the Purpose section of the audit report.<sup>23</sup> Based on our discussions with the Florida USPFO IR Division Chief, the audit objective in the Purpose section of the audit report was correctly updated, but the audit objective in the Executive Summary was not. Specifically, the Executive Summary stated the audit was requested by the Florida USPFO Financial Manager to determine whether there were sufficient controls in place to prevent the unauthorized or erroneous payment of overtime for personnel exempt under the Fair Labor Standards Act. In contrast, the Purpose section stated the audit was conducted to determine whether there are any ATAAPS system controls that are not being used and whether the USPFO is working with the Human Resources Office to mitigate potential erroneous payments.

In the audit report, the auditors addressed whether there were sufficient controls to prevent unauthorized or erroneous overtime payments. Specifically, the auditors determined that there were no automated system controls in place to prevent unauthorized or erroneous overtime payments. The Chief of the Florida USPFO IR Division informed us that the objective in the Executive Summary was developed based on the audit request from the USPFO Financial Manager. The Chief further explained she changed the audit objective to include the determination as to whether there were any ATAAPS system controls that were not being used, and whether the USPFO is working with the Human Resources Office to mitigate potential erroneous payments. The audit report did not discuss whether there were any system controls that were not being used or whether the USPFO worked with Human Resources Office to mitigate potential erroneous payments. Additionally, the working papers and audit report did not discuss when or why the audit objective changed.

To avoid potential misunderstanding, auditors must communicate audit objectives in the audit report in a clear, consistent, and unambiguous manner. Clearly written audit objectives that align with the reported findings help users of the report understand the purpose of the audit, the nature and extent of the audit work performed, and the context and perspective of what is reported.

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<sup>23</sup> The NGB IR Audit Documentation and Reporting Handbook states that each audit report should have an Executive Summary that provides a summary of the audit and the results. The section should include the audit objective.

## Recommendation, Management Comments, and Our Response

### **Recommendation 7**

We recommend that the Florida United States Property and Fiscal Office Internal Review Division Chief develop a tool, such as a report checklist, which reminds auditors to communicate audit objectives in the audit report in a clear, consistent, and unambiguous manner to avoid potential misunderstanding.

### **National Guard Bureau Internal Review Director Comments**

The NGB IR Director, responding on behalf of the Florida USPFO IR Division Chief, agreed with the recommendation. Specifically, the Florida USPFO IR Division Chief stated that the auditors will use an Audit Objective working paper as a tool to remind them of communicating the audit objective in the audit report in a clear and consistent manner. The working paper will reflect the consideration and application of Government Auditing Standard 9.11, 2018 revision, which states auditors should communicate audit objectives in the audit report in a clear manner in order to avoid potential misunderstanding. The NGB IR Director anticipates that this action will be completed by May 27, 2022.

### **Our Response**

Comments from the NGB IR Director addressed the recommendation. Therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the Florida USPFO IR Division has developed a tool which reminds auditors to communicate audit objectives in the audit report in a clear, consistent, and unambiguous manner to avoid potential misunderstanding.

### **Finding 6. Methodology Sections of Two Audit Reports Did Not Include Evidence-Gathering and Analysis Techniques Used by the Auditors**

For 2 of the 19 performance audits we selected, the methodology sections of the audit reports did not contain all the evidence-gathering and analysis techniques used by the auditors. The Florida USPFO IR Division issued the two audit reports, consisting of:

- Report No. 2020-006, “Audit of Officers’ Uniform Allowances”
- Report No. 2019-016, “Audit of NGB Government Purchase Card (GPC) Usage Nationwide”<sup>24</sup>

GAS 7.13 of the 2011 revision to the Government Auditing Standards and GAS 9.14 of the 2018 revision to the Government Auditing Standards state that in reporting audit methodology, auditors should explain how the completed audit work supports the audit objectives, including the evidence-gathering and evidence-analysis techniques, in sufficient

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<sup>24</sup> Report No. 2019-016, “Audit of NGB GPC Usage Nationwide,” June 25, 2020

detail to allow knowledgeable users of their reports to understand how the auditors addressed the audit objectives. GAS 9.14 further states that auditors should identify significant assumptions made in conducting the audit and describe comparative techniques applied. The NGB IR Audit Documentation and Reporting Handbook states that the methodology section should include details on how the auditors performed the audit work.

For both Florida USPFO Division reports, the methodology section did not provide sufficient details on how the completed audit work supported the audit objectives. The methodology sections stated only that the auditors conducted tests of internal controls that they considered necessary, and conducted interviews with key personnel to obtain background information and information about the processes that were reviewed. The reports did not describe the nature and extent of the audit procedures they used to gather evidence and perform their analysis.

For both reports, we were able to gather information about the methodology they used from other sections of the audit report. For instance, for the Audit of Officers' Uniform Allowances, other areas of the audit report mentioned that the auditors reviewed uniform order history reports to reconcile the reports to the officer personnel roster. The purpose of the reconciliation was to determine whether uniforms were issued to the appropriate personnel. In addition, the auditors conducted walkthroughs of a Logistics Readiness Squadron warehouse to determine whether the audited entity's uniform records were adequate and reliable. Specifically, the auditors compared uniform records to the uniforms stored in the warehouse to determine if there were any discrepancies.<sup>25</sup> However, this significant information was not included in the methodology section of the report.

For the report on Audit of NGB GPC Usage Nationwide, other areas of the audit report mentioned that the auditors reviewed Managing Account Approval Reports to determine whether approving officials reconciled and approved bank statements within five business days after the billing cycle. The auditors also reviewed GPC training records to determine whether GPC officials completed annual GPC training as required. However, this significant information was not included in the methodology section of the report.

Although the methodology used during an audit is normally addressed in a particular section of an audit report, it is possible to gather information related to the techniques that the auditors used from other areas of the audit report. However, if an audit report contains a separate methodology section, the section should be sufficiently comprehensive so that users of the audit report know all significant evidence gathering and analysis techniques used during the audit that support the audit findings.

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<sup>25</sup> A walkthrough is an audit procedure that is performed to assist auditors determine whether the audited entity's internal controls are properly designed and implemented.



# Management Comments

## National Guard Bureau Internal Review

To emphasize this audit requirement, we have updated our 2022 Audit Notification Letter template to request the audited entity to "identify previous engagements or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented."

We have also updated our 2022 Entrance Conference presentation to include this requirement, as well as to discuss management's response to this request. To the extent the information was not provided from our request in the notification letter, the entrance conference will serve as a second and follow-up request. When we receive the requested information, we will update our initial audit risk assessment and our audit plan audit procedures to reflect the audit impact of the requested information on prior audit findings and recommendations. The information received may impact our audit risk assessment and our audit procedures, including communications with senior management concerning unaddressed past audit findings. Planned completion – 27 May 2022.

**Recommendation #6** - We recommend that the Connecticut United States Property and Fiscal Office Internal Review Division Supervisory Auditor develop a tool, such as a finding development matrix, to help the auditors clearly develop the effects of findings which identify the outcome or consequence resulting from the audited entity not complying with the criteria and include the concept of developing effects or potential effects that may be used to demonstrate the need for corrective action in response to identified problems or relevant risks.

**NGB-IR Response** – Concur. The United States Property and Fiscal Office Internal Review Supervisory Auditor for the Connecticut National Guard will develop a tool to help auditors clearly develop the effects of findings, which identify the outcome or consequence resulting from the audited entity not complying with the criteria. It will include the concept of developing effects or potential effects that may be used to demonstrate the need for corrective action in response to identified problems. The planned completion date is 1 March 2022.

**Recommendation #7** - We recommend that the Florida United States Property and Fiscal Office Internal Review Division Chief develop a tool, such as a report checklist, which reminds auditors to communicate audit objectives in the audit report in a clear, consistent, and unambiguous manner to avoid potential misunderstanding.

**NGB-IR Response** – Concur. The Florida USPFO-IR Office agrees that it is very important to avoid potential misunderstanding of our audit objectives. Our auditors must communicate audit objectives in a clear, consistent, and unambiguous manner. We have implemented three new procedures to ensure our audit objectives are written clearly, are consistent, and are well understood by our audit customers and management. Our first procedure is to adjust our entrance conference slides that list our audit objectives, and to seek confirmation that the objectives are understood by the audit client. We have added an additional slide that asks attendees if they have any questions or concerns with the clarity of the audit objectives described in the previous slides. Our second procedure will be to have a formal audit team meeting to discuss each audit's proposed objectives and provide recommendations. This process is similar to the GAGAS requirement for the audit team to discuss potential fraud risk.

## National Guard Bureau Internal Review (cont'd)

**Recommendation #3** - We recommend that the United States Property and Fiscal Officer for the Florida National Guard require that the auditors assigned to Internal Review Division obtain training on performing non-audit services in accordance with the Government Auditing Standards.

**NGB-IR Response** - Concur. The IR division has determined that, with the exception of IR audit follow-ups, we will limit the number of non-audit services we perform. This change in policy will allow us better performance of our main audit function - GAGAS performance audits. Based on this recommendation, our office will institute a mandatory training session on non-audit services based on the GAGAS requirements. We will coordinate with NGB-IR on how best to accomplish this training. We plan to make an in-house training lesson plan mandatory before the performance of any non-audit service. Planned completion – 27 May 2022.

The following responses address the recommendations presented in DoD-IG's letter of comment.

**Recommendation #4** - We recommend that the National Guard Bureau Internal Review Director issue a memorandum to the auditors at the National Guard Bureau Internal Review Office-Headquarters and the United States Property and Fiscal Office, Internal Review divisions to emphasize the need to evaluate whether the audited entity took appropriate corrective actions to address findings and recommendations from previous engagements that were significant within the context of the audit objectives.

**NGB-IR Response** - Concur. The National Guard Bureau Internal Review Director will update our audit follow-up policy to include verbiage to emphasize the need to evaluate whether the audited entity took appropriate corrective actions to address findings and recommendations from previous engagements that were significant within the context of the audit objectives. This policy will be updated and issued by 31 March 2022 and emphasis of this updated policy will be discussed during our 2022 training workshop in May 2022.

**Recommendation #5** - We recommend that the Florida United States Property and Fiscal Office Internal Review Division Chief revise the Division's program risk assessment matrix to add a section for previous engagements to emphasize that auditors evaluate whether the audited entity had taken appropriate corrective actions to address findings and recommendations from previous engagements that were significant within the context of the audit objectives.

**NGB-IR Response** – Concur. GAGAS 8.30, Results of Previous Engagements states, "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. When planning the audit, auditors should ask management of the audited entity to identify previous engagements or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented."

## National Guard Bureau Internal Review (cont'd)

To emphasize this audit requirement, we have updated our 2022 Audit Notification Letter template to request the audited entity to "identify previous engagements or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented."

We have also updated our 2022 Entrance Conference presentation to include this requirement, as well as to discuss management's response to this request. To the extent the information was not provided from our request in the notification letter, the entrance conference will serve as a second and follow-up request. When we receive the requested information, we will update our initial audit risk assessment and our audit plan audit procedures to reflect the audit impact of the requested information on prior audit findings and recommendations. The information received may impact our audit risk assessment and our audit procedures, including communications with senior management concerning unaddressed past audit findings. Planned completion – 27 May 2022.

**Recommendation #6** - We recommend that the Connecticut United States Property and Fiscal Office Internal Review Division Supervisory Auditor develop a tool, such as a finding development matrix, to help the auditors clearly develop the effects of findings which identify the outcome or consequence resulting from the audited entity not complying with the criteria and include the concept of developing effects or potential effects that may be used to demonstrate the need for corrective action in response to identified problems or relevant risks.

**NGB-IR Response** – Concur. The United States Property and Fiscal Office Internal Review Supervisory Auditor for the Connecticut National Guard will develop a tool to help auditors clearly develop the effects of findings, which identify the outcome or consequence resulting from the audited entity not complying with the criteria. It will include the concept of developing effects or potential effects that may be used to demonstrate the need for corrective action in response to identified problems. The planned completion date is 1 March 2022.

**Recommendation #7** - We recommend that the Florida United States Property and Fiscal Office Internal Review Division Chief develop a tool, such as a report checklist, which reminds auditors to communicate audit objectives in the audit report in a clear, consistent, and unambiguous manner to avoid potential misunderstanding.

**NGB-IR Response** – Concur. The Florida USPFO-IR Office agrees that it is very important to avoid potential misunderstanding of our audit objectives. Our auditors must communicate audit objectives in a clear, consistent, and unambiguous manner. We have implemented three new procedures to ensure our audit objectives are written clearly, are consistent, and are well understood by our audit customers and management. Our first procedure is to adjust our entrance conference slides that list our audit objectives, and to seek confirmation that the objectives are understood by the audit client. We have added an additional slide that asks attendees if they have any questions or concerns with the clarity of the audit objectives described in the previous slides. Our second procedure will be to have a formal audit team meeting to discuss each audit's proposed objectives and provide recommendations. This process is similar to the GAGAS requirement for the audit team to discuss potential fraud risk.

## National Guard Bureau Internal Review (cont'd)

Finally, we have created a separate audit objective work paper that includes a review of relevant GAGAS standards for audit objectives. Our Audit Objective work paper will be our tool to remind auditors to communicate objectives in a clear, consistent and unambiguous way. Our Audit Objective work paper will apply the GAGAS 9.17 quality elements of accurate, objective, complete, convincing, clear, concise, and timely when developing audit objectives. It will also focus on the comprehensive guidance on audit objective development provided by GAGAS 8.103 subparagraphs a through f. The Audit Objective work paper will also reflect consideration and application of GAGAS paragraphs 1.22 through 1.26, 8.08, 8.09, 8.13, 8.19, 8.20, 8.30, 8.35, 8.43, 8.68, 8.103, 9.10, 9.11, 9.15, 9.16, and 9.17. Planned completion – 27 May 2022.

**Recommendation #8** - We recommend that the Florida United States Property and Fiscal Office Internal Review Division Chief develop a tool, such as a report checklist, that reminds auditors to include all evidence-gathering and evidence-analysis techniques used during audits in the Methodology section of the audit report, as required by the National Bureau Guard Bureau Audit Documentation and Reporting Handbook.

**NGB-IR Response** – Concur. The Florida USPFO-IR Office has modified all of their audit field working papers to include a specific mandatory section that requires a specific listing of every audit technique (meeting, interview, data request, report analysis, SF 270 review, etc.) used to obtain the specific audit evidence referenced in the audit work paper. The Supervisory Auditor Phase 1 and Phase 2 documentation review will include a specific step to review and discuss the specific audit methodology reflected in the work paper. Completed.

2. I would like to thank the DoD-IG team for conducting a professional and thorough peer review. This is a consolidated NGB response, I have included the separate responses from each of the State IR offices.

MILLER.DERRICK, Digitally signed by  
E [REDACTED]  
Derrick E. Miller, CPA  
Director, NGB-IR

# Acronyms and Abbreviations

<b>ATAAPS</b>	Automated Time Attendance and Production System
<b>CIGIE</b>	Council of the Inspectors General on Integrity and Efficiency
<b>ESGR</b>	Employer Support of the Guard and Reserve
<b>GAS</b>	Government Auditing Standards
<b>GPC</b>	Government Purchase Card
<b>IR</b>	Internal Review
<b>NGB</b>	National Guard Bureau
<b>USPFO</b>	United States Property and Fiscal Office



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703.604.8324

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4800 Mark Center Drive  
Alexandria, Virginia 22350-1500  
[www.dodig.mil](http://www.dodig.mil)  
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