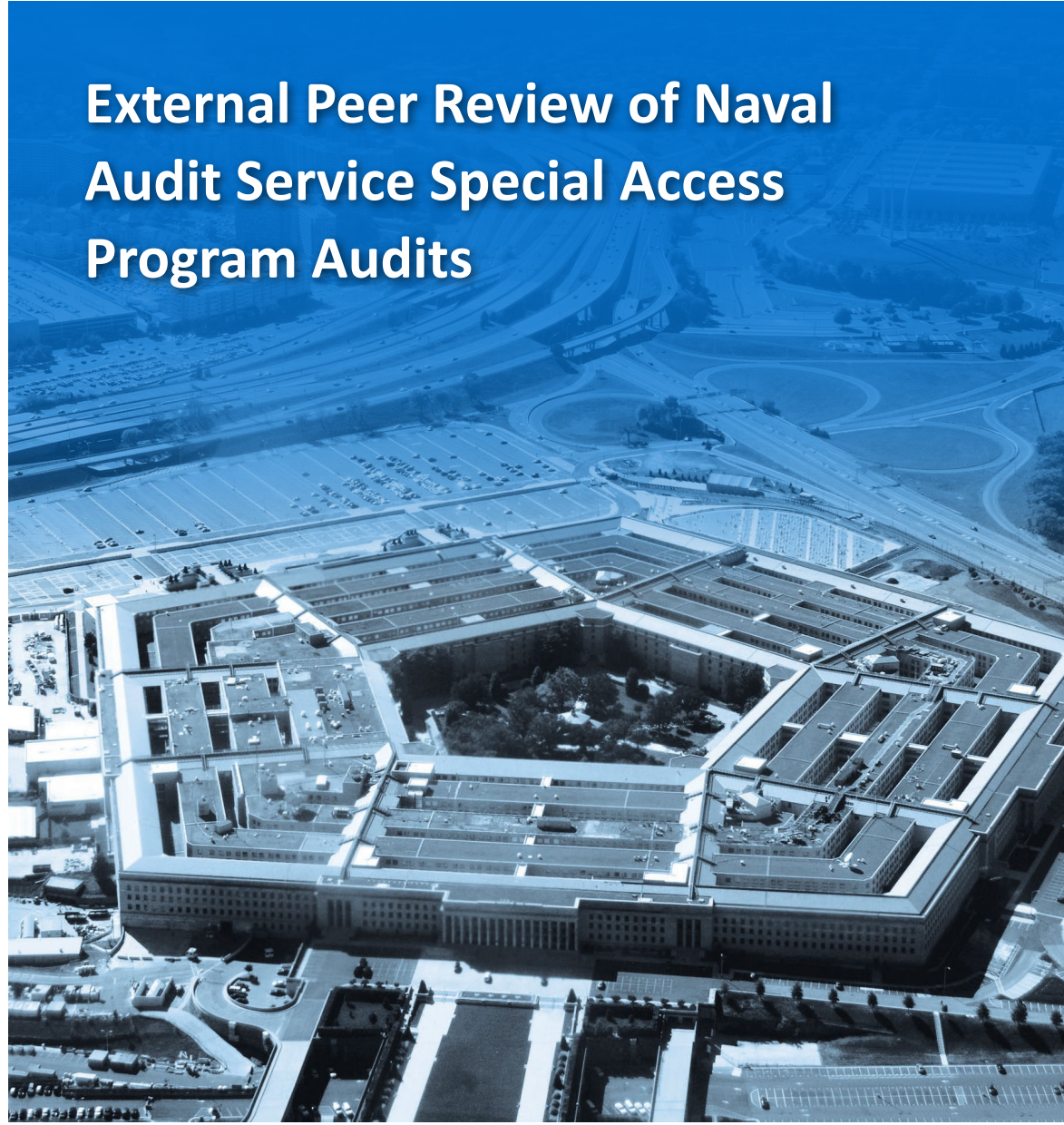




INSPECTOR GENERAL

U.S. Department of Defense

APRIL 14, 2023



External Peer Review of Naval Audit Service Special Access Program Audits

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





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

April 14, 2023

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE NAVY

SUBJECT: External Peer Review of Naval Audit Service Special Access Program Audits
(Report No. DODIG-2023-065)

This final report provides the results of the DoD Office of Inspector General's external peer review (peer review) of Naval Audit Service Special Access Program audits. We previously provided a draft of this report and requested written management comments on the recommendation. We considered management comments on the draft report when preparing the final report. These comments are included in the report.

The Auditor General of the Department of the Navy agreed to address the recommendation presented in the report; therefore, we consider the recommendation resolved and open. As described in the Recommendation, Management Comments, and Our Response sections of this report, we will close the recommendation when you provide us documentation showing that the agreed-upon action is completed. Therefore, please provide us within 90 days your response concerning specific action in progress or completed on the recommendation. Please send your responses to [REDACTED]

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

FOR THE INSPECTOR GENERAL:

A handwritten signature in black ink, appearing to read "Randolph R. Stone", is written over a white background.

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**

April 14, 2023

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE NAVY

SUBJECT: System Review Report on the External Peer Review of Naval Audit Service Special Access Program Audits (Report No. DODIG-2023-065)

We reviewed the system of quality control for Naval Audit Service Special Access Program (SAP) audits in effect for the period April 20, 2018, through December 31, 2021.¹ A system of quality control encompasses the Naval Audit Service'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. The elements of quality control are described in the Government Auditing Standards.

In our opinion, except for the deficiency described in this report, the system of quality control for Naval Audit Service SAP audits in effect for the period April 20, 2018, through December 31, 2021, has been suitably designed and complied with to provide it 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 Naval Audit Service has received an external peer review rating of *pass with a deficiency* for its Special Access Program audits.

The external peer review rating of *pass with a deficiency* is based on our assessment of the design of Naval Audit Service SAP audits' system of quality control, and the extent of compliance with the Government Auditing Standards and Naval Audit Service policies and procedures. We considered the nature, pervasiveness, and relative importance of the one deficiency we identified during our review and the extent of compliance with the Government Auditing Standards taken as a whole. The deficiency could create a situation in which the Naval Audit Service would not have reasonable assurance of performing or reporting SAP audits in conformity with applicable professional standards in one or more important respects. However, the deficiency does not rise to the level of a

¹ We expanded the scope of this peer review beyond the standard 3-year review period to include a Naval Audit Service SAP audit report that the Naval Audit Service issued on April 20, 2018. This was the only SAP report issued from April 20, 2018, through December 31, 2021.

significant deficiency as defined in the Council of the Inspectors General on Integrity and Efficiency (CIGIE) “Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General,” which is required to support a fail rating.² Therefore, we determined our review supports a *pass with a deficiency* rating for Naval Audit Service SAP audits.

Letter of Comment

We issued a Letter of Comment dated April 14, 2023, that sets forth a finding 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 peer review in accordance with the Government Auditing Standards and the CIGIE “Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General,” September 2014 and March 2020 revisions.³ Naval Audit Service auditors who perform SAP audits are assigned to the Naval Audit Service’s Special Projects Directorate. We interviewed auditors assigned to the Special Projects Directorate to obtain an understanding of the nature of the Naval Audit Service and the design of its system of quality control to assess the risks implicit in its audit function for SAP audits. Based on our assessment, we reviewed the one SAP performance audit that the Naval Audit Service completed on April 20, 2018, to test it for compliance with the Government Auditing Standards and Naval Audit Service system of quality control.⁴ The Naval Audit Service did not complete any additional audits during the remainder of the review period (from April 21, 2018, through December 31, 2021).

In performing our review, we tested for compliance with Naval Audit Service quality control policies and procedures to the extent that we considered appropriate. The Air Force Audit Agency (AFAA) performed an external peer review of the system of quality control for Naval Audit Service non-SAP audits for the 3-year period ended December 31, 2021. As part of the AFAA peer review of Naval Audit Service non-SAP audits, the AFAA reviewed Naval Audit Service quality control policies and procedures applicable to both SAP and non-SAP audits.

² CIGIE “Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General,” March 2020 revision. The CIGIE Guide defines a significant deficiency as one or more deficiencies that result in the system of quality control not providing the audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. According to the CIGIE Guide, only peer reviews that identify one or more significant deficiencies result in a *fail* rating.

³ We used CIGIE Guide Appendix E, 2014 revision, to review the Naval Audit Service SAP performance audit. Also, we used CIGIE Guide Appendix B, 2020 revision, to assess Naval Audit Service compliance with the Government Auditing Standards on independence, competence and continuing professional education, and quality control and peer review. The AFAA used CIGIE Guide Appendix A, 2020 revision, to review the Naval Audit Service quality control policies and procedures.

⁴ The Government Accountability Office issues the Government Auditing Standards. The 2011 revision of the Government Auditing Standards applied to performance audits that began from December 15, 2011, through June 30, 2019. The Naval Audit Service SAP performance audit we reviewed during this peer review began while the 2011 revision of the Government Auditing Standards was in effect.

We performed tests of the AFAA's review of the quality control policies and procedures and determined that we could rely on the AFAA's conclusions. We also performed tests of the quality control policies and procedures by applying the appropriate CIGIE Guide checklist to the SAP audit we reviewed. The tests covered the application of the Naval Audit Service policies and procedures on the SAP audit 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.

On February 21, 2023, we held an exit conference with Naval Audit Service representatives to discuss the results of our review. We provided a copy of a discussion draft of this report to Naval Audit Service representatives before we held the exit conference. The representatives did not provide any comments on the results of our review or the discussion draft at the exit conference. We believe that the procedures we performed provide a reasonable basis for our opinion. The Enclosure identifies our scope and methodology.

Responsibilities and Limitation

The Naval Audit Service is responsible for establishing and maintaining a system of quality control designed to provide it 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 covering Naval Audit Service SAP audits and the Naval Audit Service'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. The 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.

Deficiency. The Independence of the Auditor General of the Navy Was Structurally Compromised

As the AFAA reported in its November 2022 System Review Report of Naval Audit Service non-SAP audits, the independence of the Auditor General of the Navy (Auditor General) was structurally compromised from October 1, 2019, through September 30, 2021.⁵ We determined that this structural independence deficiency also impacted the Naval Audit Service system of quality control for SAP audits because the Naval Audit Service's Special Projects Directorate, which is responsible for performing SAP audits, reports to the Auditor General.

⁵ Air Force Audit Agency Report, "System Review Report on the 2021 External Quality Control Peer Review of the Naval Audit Service (Project F2022-A13000-0333.000)," November 17, 2022.

GAS 3.56 of the 2018 revision to the Government Auditing Standards states that government internal auditors who work under the direction of the audited entity's management are considered structurally independent for the purposes of reporting internally, if the head of the audit organization:

- is accountable to the head or deputy head of the government entity or to those charged with governance;
- reports the engagement results both to the head or deputy head of the government entity and to those charged with governance;
- is located organizationally outside the staff or line management function of the unit under audit;
- has access to those charged with governance; and
- is sufficiently removed from pressures to conduct engagements and report findings, opinions, and conclusions objectively without fear of reprisal.⁶

In addition, Secretary of the Navy Instruction 7510.7G CH-1 states:

Whenever the position of the Under Secretary is vacant, the Auditor General of the Navy reports to the Secretary of the Navy. Within the Department of the Navy (DON), only the Secretary of the Navy and the Under Secretary of the Navy may provide direction to the Naval Audit Service.⁷

During FY 2020 and FY 2021, the Under Secretary of the Navy position was vacant. The AFAA reported that the independence of the Auditor General was structurally compromised during this period because the Auditor General's performance evaluations for FY 2020 and FY 2021 were not completed or signed by the Secretary of the Navy in accordance with Instruction 7510.7G CH-1. Instead, the Assistant Secretary of the Navy (Manpower and Reserve Affairs), who also served as the Acting Under Secretary of the Navy, completed and signed the Auditor General's FY 2020 performance evaluation. Also, the Acting Navy General Counsel completed and signed the Auditor General's FY 2021 performance evaluation.

Further, in August 2021, the Secretary of the Navy instructed the Auditor General to report to the Assistant Secretary of the Navy (Energy, Installations, and Environment), who was also serving as the Acting Under Secretary of the Navy. In accordance with Secretary of the Navy Instruction 7510.7G CH-1, the Auditor General should have reported to, and been evaluated by, the Secretary of the Navy while the Under Secretary of the Navy position was vacant. We agree with the AFAA's position that a reasonable third party would conclude that the person who signs an employee's performance evaluation has influence over that employee, thus creating a threat to the Auditor General's independence.

⁶ The Secretary of the Navy serves as the head and the Under Secretary of the Navy serves as the deputy head of the Navy.

⁷ Secretary of the Navy Instruction 7510.7G CH-1, "Department of the Navy Internal Audit," April 18, 2018.

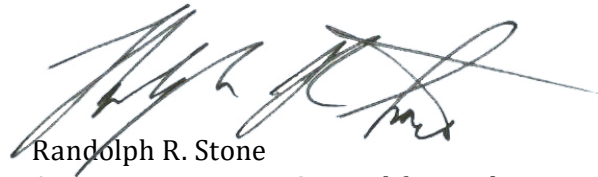
We assessed the significance of this deficiency by taking into account the nature, pervasiveness, and relative importance of this deficiency to the Naval Audit Service's system of quality control and the extent of compliance with the Government Auditing Standards taken as a whole. We determined that this deficiency does not rise to the level of a significant deficiency as defined in the CIGIE Guide.

The AFAA made two recommendations to address the deficiency, and the Naval Audit Service concurred with the recommendations. First, the AFAA recommended that the Secretary of the Navy adhere to Secretary of the Navy Instruction 7510.7G CH-1 by having the Auditor General report to the Secretary of the Navy when the Under Secretary of the Navy position is vacant. Second, the AFAA recommended that the Naval Audit Service comply with GAS 3.56 to meet organizational structural independence.

The AFAA's recommendations are adequate to resolve the structural independence deficiency. Therefore, we are not making any additional recommendations for this deficiency.

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 from the Naval Audit Service during the peer review.

FOR THE INSPECTOR GENERAL:



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

Enclosure
As stated

Enclosure

Scope and Methodology

We conducted this peer review from March 2022 through March 2023 in accordance with the Government Auditing Standards and the CIGIE “Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General,” September 2014 and March 2020 revisions. These standards require that we obtain an understanding of the audit organization’s system of quality control and conclude whether:

- the system is designed 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 peer review covered the period from April 20, 2018, through December 31, 2021. We expanded the scope of this peer review beyond the standard 3-year review period to include a Naval Audit Service SAP audit report issued on April 20, 2018, which was the only SAP report issued from April 20, 2018, through December 31, 2021.

We tested compliance with the Naval Audit Service’s system of quality control for SAP audits to the extent we considered appropriate. These tests included a review of the one SAP performance audit that the Naval Audit Service issued on April 20, 2018. As detailed in the following sections, we used the appendixes and procedures in the CIGIE Guide to conduct this peer review.

Policies and Procedures (CIGIE Guide Appendix A)

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

In its November 2022 Letter of Comment on non-SAP audits, the AFAA identified the following four areas where the Naval Audit Service should improve its policies and procedures.

- **Financial Audits.** Require auditors to document the process followed and conclusions reached for identifying appropriate individuals to receive required communications when those charged with governance is not clearly evident.

- **Attestation Engagements.** Require auditors to document the suitability, reliability, expectation, and explanation for differences identified for the various stages of testing.
- **Examination Engagements.** Require auditors to develop an engagement plan that includes a description of the nature, timing, and extent of a planned risk assessment and testing steps.
- **Examination Engagements.** Require auditors to document the process followed and conclusions reached for identifying appropriate individuals to receive required communications when those charged with governance is not clearly evident.

The Naval Audit Service agreed to make the improvements. We did not identify any additional areas for improving the policies and procedures. Therefore, we do not have any additional recommendations for the policies and procedures.

Checklist for the 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, we performed tests covering Naval Audit Service SAP audits for compliance with the general standards in the Government Auditing Standards, consisting of independence, competence and continuing professional education, and quality control and peer review.

Independence

We reviewed Naval Audit Service independence records for all auditors assigned to the SAP audit we reviewed and determined that the auditors complied with the Government Auditing Standards and Naval Audit Service policies and procedures when they documented their independence associated with the audited entity. We also reviewed the Naval Audit Service organizational chart and identified that the Naval Audit Service's Special Projects Directorate reports to the Auditor General. The AFAA reviewed the Auditor General's independence and determined that the independence of the Auditor General was structurally compromised from October 1, 2019, through September 30, 2021. We determined that this structural independence deficiency also impacted the Naval Audit Service system of quality control for SAP audits because the Naval Audit Service's Special Projects Directorate, which is responsible for performing SAP audits, reports to the Auditor General. See the Deficiency of this report for additional details.

Competence and Continuing Professional Education

We conducted interviews with three of the six auditors assigned to the Naval Audit Service's Special Projects Directorate as of April 21, 2022. We did not interview the remaining three auditors because the AFAA had already interviewed them during its peer review of non-SAP audits. We interviewed the three auditors to determine their understanding of, and compliance with, the Government Auditing Standards and Naval Audit Service quality control policies and procedures. Based on the interview results, we concluded that the auditors are competent and have an adequate understanding of the Government Auditing Standards and Naval Audit Service policies and procedures. The AFAA also determined that the remaining three auditors assigned to the Special Projects Directorate are competent and have an adequate understanding of the Government Auditing Standards and Naval Audit Service policies and procedures.

We reviewed continuing professional education documentation for five of the six auditors assigned to the Naval Audit Service's Special Projects Directorate for the 2-year reporting period for continuing professional education covering FY 2019 and FY 2020. The AFAA reviewed the continuing professional education documentation of the remaining auditor as part of its review of Naval Audit Service non-SAP audits. We reviewed the continuing professional education documentation to determine whether the five auditors obtained the continuing professional education hours required by the Government Auditing Standards during the 2-year period. GAS 4.16 of the 2018 revision to the Government Auditing Standards states that auditors who plan, direct, perform engagement procedures for, or report on an engagement conducted in accordance with the Government Auditing Standards should complete at least 80 hours of continuing professional education in every 2-year period. Also, GAS 4.17 of the 2018 revision to the Government Auditing Standards states that auditors should complete at least 20 hours of continuing professional education in each year of the 2-year period. We determined that the five auditors met these requirements. The AFAA also determined that the remaining auditor assigned to the Special Projects Directorate met the requirements.

Quality Control and Peer Review

The Naval Audit Service did not perform a specific internal quality control review during the period covered by our peer review because the Naval Audit Service completed only one SAP audit, and Naval Audit Service personnel did not have the ability to access audit documentation maintained in the Sensitive Compartmented Information Facility during the coronavirus disease-2019 (COVID-19) pandemic.⁸ Based on our consideration of these circumstances, we determined that the Naval Audit Service met the Government Auditing Standards requirements for the monitoring of quality procedures associated with SAP audits.

⁸ COVID-19 is an infectious disease that can cause a wide spectrum of symptoms. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. A pandemic is a global outbreak of a disease that can infect people and spread between people sustainably. On March 13, 2020, the President of the United States declared the COVID-19 outbreak an emergency.

Checklist for Performance Audits (CIGIE Guide Appendix E)

From April 20, 2018, through December 31, 2021, the Naval Audit Service completed one SAP performance audit. The Naval Audit Service conducted the audit while the December 2011 revision to the Government Auditing Standards was in effect. We reviewed the audit for compliance with the December 2011 revision to the Government Auditing Standards using Appendix E of the CIGIE Guide. We determined that the Naval Audit Service auditors did not comply with the Government Auditing Standards' independence documentation requirements and Naval Audit Service policies and procedures. See our finding in the Letter of Comment for additional details.

Use of Computer-Processed Data

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

Prior Coverage

We did not identify any prior coverage of Naval Audit Service SAP audits during the last 5 years. The DoD OIG issued its last external peer review report of Naval Audit Service SAP audits on September 23, 2011, under Report No. D-2011-6-012, "Quality Control Review of the Naval Audit Service's Special Access Program Audits." The Naval Audit Service received a peer review rating of pass. Unrestricted DoD OIG reports can be accessed at www.dodig.mil/reports.html/.



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

April 14, 2023

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE NAVY

SUBJECT: Letter of Comment on the External Peer Review of Naval Audit Service Special Access Program Audits (Report No. DODIG-2023-065)

We reviewed the system of quality control for the Naval Audit Service covering Special Access Program (SAP) audits completed during the period April 20, 2018, through December 31, 2021, and issued our System Review Report on April 14, 2023, in which the Naval Audit Service received a rating of *pass with a deficiency* for its SAP audits. The finding in this Letter of Comment should be read in conjunction with the System Review Report. We determined that the following finding was not significant enough to affect the opinion rendered in the System Review Report.

Finding. Auditors Did Not Document the Potential Impact of a Structural Threat to Independence

For the one SAP performance audit we reviewed, the auditors did not document the potential impact that a structural threat to independence could have on the audit and the auditors' conclusions. GAS 3.14g of the 2011 revision to the Government Auditing Standards states that a structural threat is the threat that an audit organization's placement within a government entity, in combination with the structure of the government entity being audited, will impact the audit organization's ability to perform work and report results objectively.

In the 2018 System Review Report covering Naval Audit Service non-SAP audits, the Army Audit Agency identified a structural threat to independence for the Naval Audit Service that affected both non-SAP and SAP audits.⁹ Due to the independence threat, the Naval Audit Service included the following modified Government Auditing Standards statement in future published reports that relied in whole or in part on work performed during the period of March 13, 2013, through December 4, 2017, including the one SAP audit report we reviewed during this peer review:

(U) Regarding the exception, a recent Peer Review of the Naval Audit Service determined that from 13 March 2013 through 4 December 2017, the Naval Audit Service experienced a potential threat to audit independence due to the Department of the Navy organizational structure in effect during this timeframe. Specifically, instead of reporting to the Secretary of the Navy or

⁹ Report A-2018-0070-ALC, "System Review Report on the External Peer Review of the Naval Audit Service (Project A-2018- ALC-0127.000)," July 12, 2018.

(U) Under Secretary of the Navy, the Auditor General of the Navy reported to the lower level officials who had not been charged with governance over the entire Department of the Navy to include certain non-delegable statutory functions. This alignment did not comply with generally accepted government auditing standards (GAGAS) and the Department of the Navy policy regarding independence. On 4 December 2017, the Auditor General of the Navy once again reported to the Under Secretary of the Navy in accordance with GAGAS. The Navy policy on independence was revised to clarify that the Auditor General of the Navy reports directly to the Under Secretary of the Navy (or to the Secretary of the Navy whenever the position of the Under Secretary of the Navy is vacant.)

(U) With the exception of the potential structural threat outlined above, we believe that this project complied with all other generally accepted government auditing standards.

However, the Naval Audit Service auditors did not document in their working papers the potential threat to independence resulting from the Navy's organizational structure. Additionally, the auditors did not document the impact the threat could have on the audit and the auditors' conclusions.

GAS 2.25 of the 2011 revision to the Government Auditing Standards states that when auditors do not comply with applicable requirements, they should assess the significance of the noncompliance to the audit objectives and document the assessment, along with their reasons for not following the requirements. Also, GAS 3.59 of the 2011 revision to the Government Auditing Standards and GAS 3.108 of the 2018 revision to the Government Auditing Standards state that documentation of independence considerations provides evidence of the auditor's judgments in forming conclusions regarding compliance with independence requirements. In addition, GAS 6.84 of the 2011 revision to the Government Auditing Standards states that when auditors do not comply with applicable Government Auditing Standards due to law, regulation, scope limitations, restrictions on access to records, or other issues impacting the audit, the auditors should document the departure from the requirements and the impact on the audit and on the auditors' conclusions.

It is important for an auditor to adequately document independence considerations because it provides evidence of the auditor's judgments in forming conclusions regarding compliance with independence requirements.

Recommendation, Management Comments, and Our Response

Recommendation 1

We recommend that the Auditor General of the Department of the Navy issue a memorandum that reminds the Naval Audit Service's Special Projects Directorate auditors to document independence considerations and the impact that a threat to independence can have on an audit and the auditors' conclusions, in accordance with the 2018 revision of Government Auditing Standard 3.108.

Auditor General of the Department of the Navy Comments

The Auditor General of the Department of the Navy agreed with the recommendation. Specifically, the Auditor General stated that they will issue a memorandum to the Naval Audit Service Special Projects Directorate auditors that will remind the auditors to document independence considerations and the impact that a threat to independence can have on an audit, in the event that a threat to structural independence occurs. The Auditor General estimated that the memorandum will be issued by April 30, 2023.

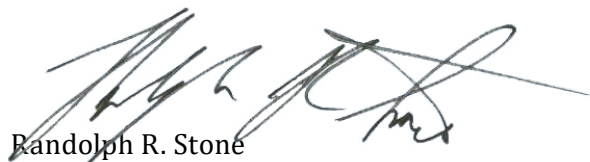
Our Response

Comments from the Auditor General addressed the specifics of the recommendation. Therefore, the recommendation is resolved, but will remain open. We will close the recommendation when we verify that the memorandum has been issued to the Naval Audit Service's Special Projects Directorate regarding documenting independence considerations.

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

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

FOR THE INSPECTOR GENERAL:



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

Management Comments

Auditor General of the Department of the Navy



DEPARTMENT OF THE NAVY
NAVAL AUDIT SERVICE
1006 BEATTY PLACE SE
WASHINGTON NAVY YARD, DC 20374-5005

7510

24 March 2023

MEMORANDUM FOR THE US DEPARTMENT OF DEFENSE INSPECTOR GENERAL

Subj: **EXTERNAL PEER REVIEW OF NAVAL AUDIT SERVICE SPECIAL ACCESS PROGRAM AUDITS (Project No. D2022-DEV0SO-0113.000)**

Encl: (1) Naval Audit Service Response to Department of Defense Office of the Inspector General (DoD OIG) External Peer Review of the Naval Audit Service Special Access Program Audits. (Project No. D2022-DEV0SO-0113.000)

1. We reviewed the Special Access Program Audits Peer Review Report. Our response in Enclosure (1) identifies corrective actions taken to remediate the identified finding and Letter of Comment Recommendation.
2. We appreciate the peer review team's professionalism and thoughtfulness.
3. If you have any questions or would like additional information, please contact [REDACTED]

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DONJETTE L. GILMORE
Auditor General of the Navy

Auditor General of the Department of the Navy (cont'd)

**Naval Audit Service Response to Department of Defense Office of the Inspector
General External Peer Review Report of Special Access Program Audits
(Project No. D2022-DEVOSO-0113.000)**

Recommendation 1: We recommend that the Auditor General of the Department of the Navy issue a memorandum that reminds the Naval Audit Service's Special Projects Directorate auditors to document independence considerations and the impact that a threat to independence can have on an audit and the auditors' conclusions, in accordance with the 2018 revision of Government Auditing Standard 3.108.

Naval Audit Service Response: Concur. The Auditor General will issue a memo that reminds the Naval Audit Service Special Projects Directorate auditors to document independence considerations and the impact that a threat to independence can have on an audit in the working papers in the event that a threat to structural independence occurs. **Target Completion Date:** 30 April 2023

Enclosure (1)
Page 1 of 1

Acronyms and Abbreviations

AFAA Air Force Audit Agency

CIGIE Council of the Inspectors General on Integrity and Efficiency

GAS Government Auditing Standards

SAP Special Access Program



Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

Whistleblower Protection safeguards DoD employees against retaliation for protected disclosures that expose possible fraud, waste, and abuse in Government programs. For more information, please visit the Whistleblower webpage at <http://www.dodig.mil/Components/Administrative-Investigations/Whistleblower-Reprisal-Investigations/Whistleblower-Reprisal/> or contact the Whistleblower Protection Coordinator at Whistleblowerprotectioncoordinator@dodig.mil

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