



DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
OFFICE OF THE AUDITOR GENERAL
6000 6TH STREET, BUILDING 1464
FORT BELVOIR, VA 22060-5609

SAAG- ZA

7 December 2020

MEMORANDUM FOR The Auditor General of the Air Force

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

1. **Introduction.** We have reviewed the system of quality control for the Air Force Audit Agency's (AFAA's) audit function for the period 1 January 2017 through 31 December 2019. A quality control system encompasses an audit organization's leadership and policies and procedures established to provide reasonable assurance of conforming with generally accepted government auditing standards (GAGAS) and applicable legal and regulatory requirements. The elements of quality control are described in GAGAS. AFAA is responsible for establishing and maintaining a system of quality control that provides it with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of that system of quality control and AFAA's compliance based on our review.

2. **Standards for Review.** For this peer review, we followed government auditing standards and the Council of the Inspectors General on Integrity and Efficiency's *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General* (issued in September 2014). We interviewed AFAA personnel about the agency's audit function and its quality control system and determined whether that system was sufficient to assess the risks implicit in AFAA's audit function. Based on our assessments, we selected eight audits and one attestation engagement and administrative files to test for conformity with professional standards and compliance with AFAA's quality control system. Those audits provided a reasonable cross-section of AFAA's audit function, emphasizing higher-risk audits. Before concluding the peer review, we reassessed whether the scope of our procedures was adequate and met with AFAA management to discuss our results. We believe the procedures we performed provide a reasonable basis for our opinion.

3. During our peer review, we tested the agency's compliance with policies and procedures to the extent we considered appropriate. These tests covered applying AFAA policies and procedures to the selected audits. Since our review was based on

SAAG-BOZ

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

selected tests, it would not necessarily detect all weaknesses in AFAA's system of quality control or all instances of noncompliance with it.

4. **Inherent Limitations.** There are inherent limitations that should be recognized in considering the effectiveness of any system of quality control. In performing most internal control procedures, departures can occur when instructions are misunderstood. Mistakes in judgment, carelessness, or other personal factors may also be involved. Also, projecting any evaluation of a system of quality control to future periods is subject to the risk that one or more procedures may become inadequate because of changes in conditions or because the degree of compliance with procedures deteriorates.

5. **Opinion.** In our opinion, AFAA's system of quality control for its audit function in effect for the year ended 31 December 2019 was suitably designed and followed to provide the agency with reasonable assurance that it conformed to applicable professional standards in all material respects. Audit organizations can receive an external peer-review rating of "pass," "pass with deficiencies," or "fail." AFAA has received a peer review rating of "pass."

6. As is customary, we've issued a separate letter of comments (Report A-2021-0004-BOZ, dated 7 December 2020) in which we discuss findings that weren't significant enough to affect our opinion. Enclosure 1 details our scope and methodology.

7. We appreciate the courtesies and cooperation extended during the peer review. If you have any questions, please contact Mr. George Sunderland. He can be reached at 703.223.4691 or george.r.sunderland2.civ@mail.mil.



ANNE L. RICHARDS
The Army Auditor General

Encl

CF:
DoD Assistant Inspector General (Audit Policy and Oversight)

Scope and Methodology

We conducted our review from January 2020 through September 2020 in accordance with:

- GAO-12-331G (Government Auditing Standards), dated December 2011.
- Council of the Inspectors General on Integrity and Efficiency (CIGIE), *Guide for Conducting Peer Reviews of the Audit Organization of Federal Offices of Inspector General*, dated September 2014.
- Memorandum of Understanding on the External Peer Review between the Auditors General of the Army and Air Force, dated 21 January 2020.

We conducted our review of training records and audits under the AFAA Air Force Operations Directorate, Acquisition Logistics and Financial Audits Directorate, Operations and Support Audits Directorate, and Field Activities Directorate. We also included AFAA field offices at Wright-Patterson Air Force Base, Ohio; Joint Base San Antonio Randolph, Texas; and Travis Air Force Base, California.

We reviewed AFAA’s policies and procedures for implementing government auditing standards, including general standards and standards for fieldwork and reporting; its organizational independence as the Department of the Air Force’s internal audit organization; and its auditors’ required continuing professional education (CPE) achievement and documentation.

We nonstatistically sampled 2017–2019 reports. These included an agreed-upon attestation, a terminated audit, one audit subject to internal quality assurance (QA)/quality control (QC) review, and six additional audits across a variety of subjects at different locations. These included local only, centrally directed audits (CDA) only, and mixed CDA/local to include potential monetary benefits (PMBs) for CDA, CDA/local and local. Here are the reports:

Report Number	Title	Directorate	Office
F2019-0002-O40000	Air Reserve Component Basic Allowance for Housing	Operations and Support Audits	JB San Antonio Randolph
F2019-007-O30000	Department of the Air Force Civilian Police Hiring and Retention	Operations and Support Audits	JB San Antonio Randolph
F2019-0008-L20000	F-35 Cooperative Training	Acquisition, Logistics and Financial Audits	Wright-Patterson AFB
F2019-0039-RWN000	Aviation Fuel Management 92d Air Refueling Wing, Fairchild Air Force Base, Washington	Field Activities	Travis AFB
F2019-0041-RWN000	Unliquidated Obligations, 341st Missile Wing, Malmstrom Air Force Base, Montana	Field Activities	Travis AFB
F2020-0001-O10000	Information Technology Hardware Asset Purchasing	Operations and Support Audits	JB San Antonio Randolph

Report Number	Title	Directorate	Office
F2019-0038-REG000	Flying Facilities Joint-Use Agreement at 96th Test Wing	Field Activities	Eglin AFB
Terminated	Nonparticipating Reservists	Operations and Support Audits	Terminated
F2020-0003-L1000000	Agreed-Upon Procedures, Military Equipment: Aircraft—Test of Effectiveness	Acquisition, Logistics and Financial Audits	Wright-Patterson AFB

Scope and Methodology for CPE Verification

To verify that auditors met CPE requirements for the FYs 17–18 reporting cycle and at least 20 hours of CPE in FY 19, we statistically sampled training records for the 633 auditors who worked for AFAA as of 31 December 2019. We used the following parameters to select our sample: a confidence interval of 90 percent, an expected occurrence rate of 50 percent, and a sampling precision of 10 percent. To determine if auditors in the sample met CPE requirements, we reviewed:

- Documentation supporting the courses recorded in AFAA’s management information system. Documentation included completion certificates, sign-in sheets, course descriptions from CPE providers, agendas, slide shows, and self-certification forms.
- CPE policy issued by GAO in *Government Auditing Standards* and *Government Auditing Standards: Guidance on GAGAS Requirements for Continuing Professional Education*.
- CPE policies and procedures in AFAA’s Instruction 65-101 (Audit Service Execution), dated 18 September 2018, and AFAA’s *Audit Execution Playbook*.

We also interviewed chief of AFAA’s Policy, Oversight, and Systems Division; the peer review program manager; and the force development chief.

To answer our objective, we used softcopy records of training certificates and TeamMate replicas of sampled projects provided by AFAA. These didn’t require data reliability testing and were considered sufficiently reliable for our purposes.

We also used Excel spreadsheets for reports published and for personnel on board from 2017 to 2019 for sampling purposes provided by AFAA. To assess the reliability of these spreadsheets, we ran basic completeness and accuracy testing to ensure the data was complete, valid, and consistent with defined field names.



Trusted Solutions for Our Army

Our Mission

To serve the Army's evolving needs by helping senior leaders assess and mitigate risk and by providing solutions through independent internal auditing services for the benefit of Army Soldiers, Civilians, and Families.

To Suggest or Request Audits

To suggest or request audits, contact the Strategic Audit Planning Office of the Principal Deputy Auditor General at 703.545.5882 or email usarmy.pentagon.hqda-aaa.mbx.audit-requests1@mail.mil.

Additional Copies

We distribute each report in accordance with the requirements of Government Auditing Standards, GAO-18-568G, July 2018. For additional copies of this report or other U.S. Army Audit Agency reports, visit our website at <https://www.aaa.army.mil>. The site is available only to military domains and the U.S. Government Accountability Office. Other activities may request copies of Agency reports by emailing our Audit Coordination and Followup Office at: usarmy.pentagon.hqda-aaa.mbx.aaa-acfo@mail.mil.