



DEPARTMENT OF THE ARMY  
U.S. ARMY AUDIT AGENCY  
OFFICE OF THE ARMY AUDITOR GENERAL  
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FORT BELVOIR, VA 22060-5609

SAAG-ZA

29 September 2023

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-2023-FIZ-0022), Report A-2023-0079-FIZ

1. **Introduction.** We reviewed the QC system for the Air Force Audit Agency's (AFAA's) audit function for 1 January 2020 through 31 December 2022. A QC 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 QC are described in GAGAS. AFAA is responsible for establishing and maintaining a QC system that provides reasonable assurance that the organization and its personnel are complying with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of that QC system and AFAA's compliance based on our review.

2. **Conduct of Review**

a. We conducted this peer review in accordance with GAO's *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*. We interviewed AFAA personnel about the agency's audit function and QC system and determined whether that system was sufficient to assess the risks implicit in AFAA's audit function. Based on our assessments, we selected seven audits and one attestation engagement and administrative files to test for conformity with professional standards and compliance with AFAA's QC system. Those audits provided a reasonable cross section of AFAA's audit function, emphasizing higher risk audits. Before concluding our peer review, we reassessed whether the scope of our procedures was adequate; we also met with AFAA management to discuss our results. We believe the procedures we performed provide a reasonable basis for our opinion.

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

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selected tests, it wouldn't necessarily detect all weaknesses in AFAA's QC system or all instances of noncompliance with that system.

3. **Inherent Limitations.** There are inherent limitations that should be recognized in considering the effectiveness of any QC system. 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 QC system 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 lessens.

4. **Opinion.** Audit organizations can receive an external peer review rating of "pass," "pass with deficiencies," or "fail." In our opinion, AFAA's QC system for its audit function in effect for the year ended 31 December 2022 was suitably designed and followed to provide AFAA with reasonable assurance that it conformed with applicable professional standards in all material respects. Therefore, AFAA has received a peer review rating of "pass."

5. As is customary, we've issued a separate report with comments<sup>1</sup> in which we discuss findings that weren't significant enough to affect our opinion. The enclosure details our scope and methodology.

6. We appreciate the courtesies and cooperation extended during the peer review. If you have any questions, please contact (b) (6) Audit Manager, at (b) (6) or by email at (b) (6)

Encl

(b) (6)

BRUCE B. MILLER  
The Army Auditor General

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<sup>1</sup> Report A-2023-0080-FIZ (Letter of Comments on the External Peer Review of the Air Force Audit Agency), 29 September 2023.

## Scope and Methodology

We conducted our review from January 2023 through August 2023 in accordance with:

- GAO-21-368G (Government Auditing Standards), April 2018 (Technical Update April 2021).
- CIGIE, *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, March 2020.
- MOU-AAA-2023-001 (Memorandum of Understanding Between the Army Audit Agency and Air Force Audit Agency for External Peer Review), 24 January 2023.

We conducted our review of training records and audits under AFSA's Air Force Operations Directorate; Acquisition, Logistics and Financial Audits Directorate; Operations and Support Audits Directorate; and the Field Activities Directorate. We also worked with AFSA field offices at Joint Base San Antonio-Randolph, Texas; Wright-Patterson Air Force Base, Ohio; Nellis Air Force Base, Nevada; Robins Air Force Base, Georgia; and Andrews Air Force Base, Maryland.

We performed a nonstatistical sample of unclassified reports issued from 2020 to 2022. The population was 1,750, the sample size was 8, the confidence level was 90 percent, and the precision was 10 percent. These reports consisted of one agreed-upon procedures attestation, one terminated audit, one audit subject to quality assurance/QC review, and five audits that reflected efforts across a variety of subjects at different locations. These efforts included local only, centrally directed audits (CDA) only, and mixed CDA/local to include potential monetary benefits for CDA, mixed CDA/local, and local. DoD's Office of the Inspector General is conducting an external peer review of AFSA's special access program projects.

We reviewed AFSA policies and procedures for implementing government auditing standards in its organizational independence as the Air Force's internal audit organization and its auditors' achievement and documentation of continuing professional education. We tested AFSA's implementation of government auditing standards, including general standards and standards for fieldwork and reporting, as well as related policies and procedures. We did this by reviewing audit documentation that supported these audit reports:

| Report Number      | Title                            | Directorate                           | Office           |
|--------------------|----------------------------------|---------------------------------------|------------------|
| F-2022-0010-O40000 | Medical Continuation Program     | Operations and Support                | Randolph         |
| F-2022-0008-L30000 | Base Maintenance Contract Labor  | Acquisition, Logistics, and Financial | Wright-Patterson |
| F-2023-0003-REO000 | Government Purchase Card Program | Eastern Region                        | Wright-Patterson |
| F-2023-0004-RWT000 | Mental Health—Post Deployment    | Western Region                        | Nellis           |
| F-2023-0005-RES000 | Commercial Mobile Devices        | Eastern Region                        | Robins           |

| Report Number         | Title                                                                 | Directorate            | Office           |
|-----------------------|-----------------------------------------------------------------------|------------------------|------------------|
| F2022-A13000-0388.000 | 2022 QCR Enterprise                                                   | Operations             | Wright-Patterson |
| F-2023-0001-R00000    | Agreed-Upon Procedures, Air Force Pod Accountability                  | Eastern Region         | Andrews          |
| Terminated            | Air Force Nuclear Weapon Center Support Agreements and Reimbursements | Operations and Support | Terminated       |

To verify that auditors met continuing professional education (CPE) requirements for the CYs 20–22 reporting cycle and at least 20 hours of CPE in CY 20, we statistically sampled training records for 62 of 595 auditors who worked for AFAA during the cycle period of 1 January 2021 to 31 December 2022.

We used the following parameters to select our sample: a confidence interval of 90 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. This documentation included completion certificates, sign-in sheets, and course descriptions from CPE providers; agendas; slide shows; and self-certification forms.
- CPE policy in GAO-21-368G and GAO-05-568G (Government Auditing Standards: Guidance on GAGAS Requirements for Continuing Professional Education), April 2005.
- CPE policies and procedures in AFAA’s Audit Service Execution Instruction and the CPE instruction.

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 provided by AFAA for its personnel on board from 2020 to 2022 for sampling purposes. 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.

Finally, we sent survey questionnaires to 62 auditors and received responses from 55 of them. We didn’t receive responses from 7 auditors for various reasons, such as retirements, separations, and long-term leave. Also, two survey responses included comments on AFAA policies and procedures on maintaining skepticism, information system controls, and independence for performing nonaudit services. However, we didn’t consider these comments significant enough to include in this report.



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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@army.mil](mailto:usarmy.pentagon.hqda-aaa.mbx.audit-requests1@army.mil).

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