Quality Control Review of the PricewaterhouseCoopers LLP FY 2015 Single Audit of the RAND Corporation
Mission
Our mission is to provide independent, relevant, and timely oversight of the Department of Defense that supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and Congress; and informs the public.

Vision
Our vision is to be a model oversight organization in the Federal Government by leading change, speaking truth, and promoting excellence—a diverse organization, working together as one professional team, recognized as leaders in our field.

For more information about whistleblower protection, please see the inside back cover.
May 19, 2017

Assurance Partner
PricewaterhouseCoopers LLP

Board of Trustees
The RAND Corporation

Director, Financial & Regulatory Reporting
The RAND Corporation


We are providing this report for your information and use. As the Department of Defense is the cognizant Federal agency for the RAND Corporation, we performed a quality control review of the PricewaterhouseCoopers LLP single audit report and supporting audit documentation for the year ended September 27, 2015.

The purpose of our review was to determine whether the single audit was conducted in accordance with auditing standards and the requirements of the Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” We conducted this review in accordance with the “Quality Standards for Inspection and Evaluation,” published in January 2012 by the Council of the Inspectors General on Integrity and Efficiency.

PricewaterhouseCoopers LLP complied with the auditing standards and OMB Circular A-133 requirements in performing the RAND Corporation FY 2015 single audit. In addition, the RAND Corporation complied with OMB Circular A-133 reporting requirements.

We appreciate the courtesies extended to our staff. For additional information on this report, please contact Ms. Carolyn R. Hantz at (703) 604-8877 (DSN 664-8877).

Randolph R. Stone
Deputy Inspector General
Policy and Oversight
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Introduction and Review Results

Objective

As the Department of Defense is the cognizant Federal agency\(^1\) for the RAND Corporation, we performed a quality control review of the PricewaterhouseCoopers LLP (PwC) single audit report and supporting audit documentation for the audit period of September 29, 2014, through September 27, 2015. Our objective was to determine whether the single audit was conducted in accordance with generally accepted government auditing standards, generally accepted auditing standards, and the requirements of the Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” Appendix A contains additional details on our scope and methodology and identifies prior coverage. Appendix B lists the compliance requirements that PwC determined to be applicable to the audit period ended September 27, 2015.

Background

The RAND Corporation

The RAND Corporation (RAND) is a nonprofit, tax-exempt corporation performing research and analysis to improve public policy and decision making on issues involving energy, education, health, justice, the environment, and international and military affairs. RAND is funded by government agencies, foundations, and private-sector firms primarily through contracts, grants, and contributions. During FY 2015, RAND expended $236 million in Federal awards, of which, RAND expended $235 million on one program, the research and development cluster.\(^2\) Of the $235 million, $146 million was expended for Department of Defense awards. RAND engaged PwC to perform the FY 2015 single audit.

PricewaterhouseCoopers LLP

PwC, a member firm of PricewaterhouseCoopers International Limited, provides a wide array of business services, including audit and assurance, business and Government consulting, and tax preparation and planning. PwC maintains its own system of internal quality control over its accounting and auditing practices as required by the American Institute of Certified Public Accountants. PwC’s office in Los Angeles, California, performed RAND’s FY 2015 single audit.

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\(^1\) OMB Circular A-133 states that the cognizant agency is the Federal agency that provides the predominant amount of direct funding to a non-Federal entity and is the Federal agency designated to perform quality control reviews.

\(^2\) The research and development cluster is made up of a variety of research and development activities performed under different types of funding agreements, such as grants, cooperative agreements, and contracts that have similar compliance requirements.
**Single Audit**

Public Law 98-502, “The Single Audit Act of 1984,” (the Act) as amended, was enacted to promote sound financial management of Federal awards administered by non-Federal entities and to establish a uniform set of auditing and reporting requirements for all Federal award recipients that are required to obtain a single audit. OMB Circular A-133 establishes policies that guide the implementation of the Act and provides an administrative foundation for uniform audit requirements of non-Federal entities administering Federal awards. Entities that expend Federal funds of $500,000 or more in a year are subject to the Act and OMB Circular A-133 requirements. Therefore, these entities must have an annual single or program-specific audit performed in accordance with generally accepted government auditing standards and submit a complete reporting package to the Federal Audit Clearinghouse. The single audit includes an audit of the non-Federal entity’s financial statements and Federal awards as described in OMB Circular A-133.

**Review Results**

RAND complied with OMB Circular A-133 requirements in preparing the schedule of expenditures of Federal awards, the summary schedule of prior audit findings, and the corrective action plan for the FY 2015 single audit. PwC complied with the auditing standards and OMB Circular A-133 requirements in performing the RAND Corporation FY 2015 single audit.

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3 The Federal Audit Clearinghouse is designated by the OMB as the repository of record for single audit reports and maintains a database of completed audits, provides appropriate information to Federal agencies, and performs follow-up with known auditees that have not submitted the required information.
Appendix A

Scope and Methodology

We conducted our review from October 2016 through April 2017 in accordance with the "Quality Standards for Inspection and Evaluation," published in January 2012 by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). Those standards require that we plan and perform our review to obtain sufficient appropriate evidence to provide a reasonable basis for our findings, conclusions, and recommendations based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations.

We reviewed the FY 2015 single audit of RAND performed by PwC. The Federal Audit Clearinghouse received the single audit report on June 27, 2016. We used the 2015 edition of the CIGIE “Guide for Quality Control Reviews of OMB Circular A-133 Audits.” The review focused on the following qualitative aspects of the single audit:

- Qualification of Auditors,
- Auditor Independence,
- Due Professional Care,
- Planning and Supervision,
- Audit Follow-Up,
- Internal Control and Compliance Testing,
- Schedule of Expenditures of Federal Awards, and
- Data Collection Form.

Use of Computer-Processed Data

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

Prior Coverage

During the last 5 years, the Department of Defense Office of Inspector General (DoD OIG) issued five quality control reviews related to PwC’s OMB Circular A-133 audits. Unrestricted DoD OIG reports can be accessed at http://www.dodig.mil/pubs/index.cfm. PwC took adequate corrective actions in response to all reported findings.

PwC did not adequately perform and document audit procedures for their review of the cash management requirement.


PwC failed to properly complete the data collection form because it did not accurately identify information on reported audit findings.


PwC needed to improve audit documentation on audit sampling and the audit procedures performed and evidence obtained to support conclusions on allowable costs/cost principles, special tests and provisions, subrecipient monitoring, and reporting compliance requirements.


PwC did not document adequate audit procedures to support conclusions on internal control and compliance with special tests and provisions or adequately document conclusions on determining whether a compliance requirement was applicable.


None of the deficiencies noted related to audit work performed by PwC.
## Appendix B

### Compliance Requirements

*Table. Compliance Requirements that PwC Determined Were Applicable to the Research and Development Cluster*

<table>
<thead>
<tr>
<th>OMB Circular A-133 Compliance Requirements</th>
<th>Applicable</th>
<th>Not Applicable/Not Material</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activities Allowed or Unallowed</td>
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<td></td>
</tr>
<tr>
<td>Allowable Costs/Cost Principles</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Cash Management</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Eligibility</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Equipment and Real Property Management</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Matching, Level of Effort, Earmarking</td>
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<td>X</td>
</tr>
<tr>
<td>Period of Performance</td>
<td>X</td>
<td></td>
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<tr>
<td>Procurement, Suspension, and Debarment</td>
<td>X</td>
<td></td>
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<tr>
<td>Program Income</td>
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<td>X</td>
</tr>
<tr>
<td>Reporting</td>
<td>X</td>
<td></td>
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<tr>
<td>Subrecipient Monitoring</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Special Tests and Provisions</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>
# Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>CIGIE</td>
<td>Council of the Inspectors General on Integrity and Efficiency</td>
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<tr>
<td>OMB</td>
<td>Office of Management and Budget</td>
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<tr>
<td>PwC</td>
<td>PricewaterhouseCoopers LLP</td>
</tr>
<tr>
<td>RAND</td>
<td>The RAND Corporation</td>
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Whistleblower Protection
U.S. Department of Defense

The Whistleblower Protection Ombudsman’s role is to educate agency employees about prohibitions on retaliation and employees’ rights and remedies available for reprisal. The DoD Hotline Director is the designated ombudsman. For more information, please visit the Whistleblower webpage at www.dodig.mil/Components/Administrative-Investigations/DoD-Hotline/.

For more information about DoD OIG reports or activities, please contact us:

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