



U.S. DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT  
OFFICE OF INSPECTOR GENERAL

September 27, 2018

The Honorable Glenn A. Fine  
Acting Inspector General  
United States Department of Defense  
4800 Mark Center Drive  
Alexandria, VA 22350-1500

**Subject: External Peer Review on the U.S. Department of Defense Office of Inspector General Audit Organization**

Dear Mr. Fine:

Attached is the External Peer Review Report of the U.S. Department of Defense Office of Inspector General audit organization conducted in accordance with *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*. Your response to the draft report is included as Enclosure 2 with excerpts and our position incorporated into the relevant sections of the report.

We appreciate the cooperation and courtesies extended to our staff during the review.

Sincerely,

Helen M. Albert  
Acting Inspector General

Attachment a/s



U.S. DEPARTMENT OF  
HOUSING AND URBAN DEVELOPMENT  
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September 27, 2018

**SYSTEM REVIEW REPORT**

The Honorable Glenn A. Fine  
Acting Inspector General  
United States Department of Defense  
4800 Mark Center Drive  
Alexandria, VA 22350-1500

Dear Mr. Fine:

We have reviewed the system of quality control for the audit organization of the U.S. Department of Defense, Office of Inspector General (DoD OIG), in effect for the year ending March 31, 2018. A system of quality control encompasses DoD OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with Government Auditing Standards. The elements of quality control are described in Government Auditing Standards. DoD OIG is responsible for establishing and maintaining a system of quality control that is designed to provide 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 the system of quality control and DoD OIG's compliance with that system based on our review.

Our review was conducted in accordance with Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General. During our review, we interviewed DoD OIG personnel and obtained a sufficient understanding of the nature of the DoD OIG audit organization and the design of DoD OIG's system of quality control to assess the risks implicit in its audit function. Based on our assessments, we selected audits and attestation engagements, collectively referred to as "audits," and administrative files to test for conformity with professional standards and compliance with DoD OIG's system of quality control. The audits selected represented a reasonable cross-section of the DoD OIG audit organization, with an emphasis on higher risk audits. Before concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with DoD OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the DoD OIG audit organization. In addition, we tested compliance with DoD OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of DoD OIG's policies and procedures on 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.

There are inherent limitations in the effectiveness of any system of quality control, and, 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.


**Enclosure 1** to this report identifies DoD OIG offices that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of DoD OIG in effect for the year ending March 31, 2018, has been suitably designed and complied with to provide DoD OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of pass, pass with deficiencies, or fail. DoD OIG has received an external peer review rating of *pass*.

As is customary, we have issued a letter, dated September 27, 2018, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

In addition to reviewing its system of quality control to ensure compliance with Government Auditing Standards, we applied certain limited procedures in accordance with guidance established by CIGIE, related to DoD OIG's monitoring of audits performed by independent public accountants (IPA) under contract, in which the IPA served as the auditor. It should be noted that monitoring audits performed by IPAs is not an audit and, therefore, is not subject to the requirements of Government Auditing Standards. The purpose of our limited procedures was to determine whether DoD OIG had controls to ensure that IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and, accordingly, we do not express an opinion on DoD OIG's monitoring of work performed by IPAs.

Sincerely,

A handwritten signature in black ink, appearing to read "Helen M. Albert". The signature is fluid and cursive, with a long horizontal stroke at the end.

Helen M. Albert,  
Acting Inspector General

Enclosure a/s

**Scope and Methodology**

We tested compliance with the DoD OIG audit organization’s system of quality control to the extent we considered appropriate. These tests included a review of 13 of 108 audit reports issued during the period April 1, 2017, through March 31, 2018 (the semiannual reporting periods ending September 30, 2017, and March 31, 2018). We also reviewed two internal quality control reviews performed by DoD OIG.

We reviewed DoD OIG’s monitoring of audits performed by IPAs, in which the IPA served as the auditor, during the period April 1, 2017, through March 31, 2018. During that period, DoD OIG contracted for the audit entitled “Transmittal of the Independent Auditors Report on United States Army General Fund Schedule of General Equipment as of May 31, 2017.” DoD OIG also contracted for certain other audits that were to be performed in accordance with Government Auditing Standards.

We visited DoD OIG’s main office at 4800 Mark Center Drive in Alexandria, VA.

**We reviewed the following performance audits completed by DoD OIG:**

<b>Report number</b>	<b>Report date</b>	<b>Report title</b>
D-2017-0085	07/06/2017	Protection of Electronic Patient Health Information at Army Military Treatment Facilities
D-2018-0094	03/29/2018	Logical and Physical Access Controls at Missile Defense Contractor Locations
D-2018-0079	02/22/2018	Followup Audit: Transfer of DoD Service Treatment Records to the Department of Veterans Affairs
D-2018-0078	02/22/2018	Defense Commissary Agency Oversight of Fresh Produce Contracts in Japan and South Korea
D-2018-0059	12/26/2017	U.S. Central and U.S. Africa Commands’ Oversight of Counternarcotics Activities
D-2017-0098	07/07/2017	Defense Logistics Agency Compliance With the Berry Amendment and the Buy American Act
D-2017-0116	09/05/2017	Defense Logistics Agency Fuel Contract for Al Udeid Air Base, Qatar
D-2018-0089	03/21/2018	Contracting Strategy for F-22 Modernization
D-2018-0095	03/27/2018	Defense Human Resources Activity Reimbursable Agreements
D-2017-0123	09/28/2017	The Troops-to-Teachers Program
D-2017-0017	05/04/2017	Independent Auditor’s Report on the Department of Defense FY 2016 and FY 2015 Basic Financial Statements
D-2018-0030	11/15/2017	Independent Auditor’s Report on the Department of Defense FY 2017 and FY 2016 Basic Financial Statements

**We reviewed the monitoring files for the following DoD OIG contracted audit:**

<b>Report number</b>	<b>Report date</b>	<b>Report title</b>
D-2018-0006	11/20/2017	Transmittal of the Independent Auditor's Report on United States Army General Fund Schedule of General Equipment as of May 31, 2017