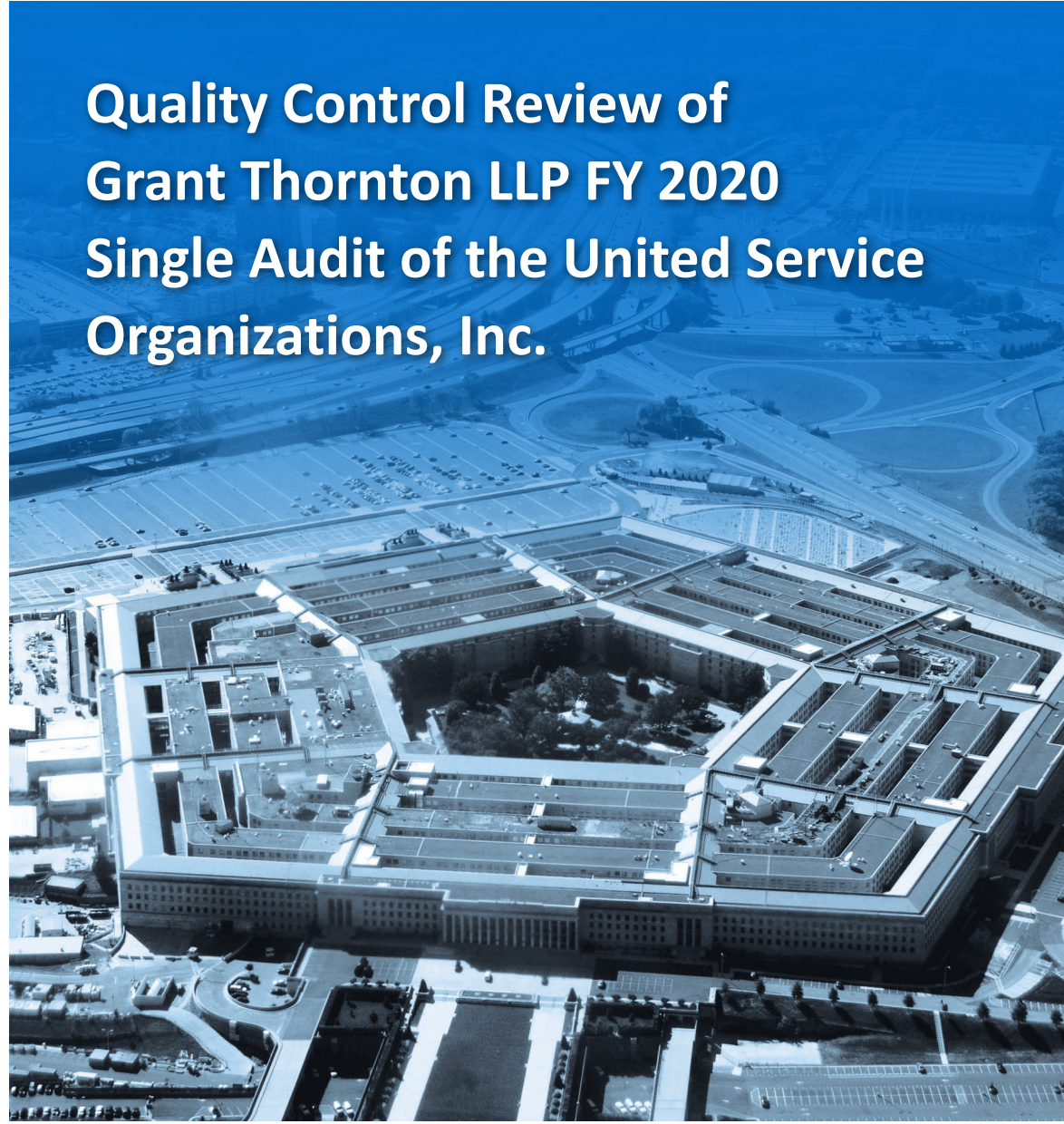




INSPECTOR GENERAL

U.S. Department of Defense

OCTOBER 05, 2022



Quality Control Review of Grant Thornton LLP FY 2020 Single Audit of the United Service Organizations, Inc.

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





Results in Brief

Quality Control Review of Grant Thornton LLP FY 2020 Single Audit of the United Service Organizations, Inc.

October 05, 2022

Objective

The objective of this quality control review was to determine whether Grant Thornton LLP (Grant Thornton) performed the FY 2020 single audit of the United Service Organizations, Inc. (USO) in accordance with generally accepted government auditing standards and Federal requirements for single audits.

Background

Non-Federal entities that expend Federal funds of \$750,000 or more in a year are subject to the requirements of Public Law 104-156, "Single Audit Act Amendments of 1996" (the Single Audit Act), and title 2 Code of Federal Regulations part 200 (Uniform Guidance). The Single Audit Act was enacted to promote sound financial management of Federal awards administered by non-Federal entities and to establish uniform requirements for audits of Federal awards. The Uniform Guidance establishes the standards for obtaining consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards.

The USO is a congressionally chartered not-for-profit organization focused on keeping Service members connected to family, home, and country throughout their service to the Nation. In FY 2020, the USO spent approximately \$44 million on two DoD programs: the World-Wide DoD Military Services Support program and the Spirit of Hope Endowment. The USO engaged Grant Thornton to perform its FY 2020 single audit.

Review Results

Grant Thornton complied with generally accepted government auditing standards and Uniform Guidance requirements when it performed the FY 2020 single audit of the USO.





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

October 05, 2022

Partner
Grant Thornton LLP

**SUBJECT: Quality Control Review of Grant Thornton LLP FY 2020 Single Audit
of the United Service Organizations, Inc. (Report No. DODIG-2023-001)**

This final report provides the results of the DoD Office of Inspector General's quality control review. We previously provided a copy of the discussion draft report to Grant Thornton representatives, who responded with no comments. We did not make any recommendations; therefore, no additional comments are required.

We appreciate the cooperation and assistance received during the quality control review. If you have any questions, please contact [REDACTED]

A handwritten signature in black ink, appearing to read "R. Stone", with a long horizontal line extending to the right.

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

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Introduction

Objective

The objective of this quality control review was to determine whether Grant Thornton LLP (Grant Thornton) performed the FY 2020 single audit of the United Service Organizations, Inc. (USO) in accordance with generally accepted government auditing standards (GAGAS) and Federal requirements for single audits.¹ Appendix A contains our scope and methodology. Appendix B lists the compliance requirements that Grant Thornton identified as direct and material to the USO's major programs for the fiscal year ended December 31, 2020.

Background

Non-Federal entities that expend Federal funds of \$750,000 or more in a year are subject to the requirements of Public Law 104-156, "Single Audit Act Amendments of 1996" (the Single Audit Act), and title 2 Code of Federal Regulations (CFR) part 200 (Uniform Guidance). The Single Audit Act was enacted to promote sound financial management of Federal awards administered by non-Federal entities and to establish uniform requirements for audits of Federal awards. The Uniform Guidance establishes the standards for obtaining consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards.²

In accordance with the Uniform Guidance, non-Federal entities must have an annual single or program-specific audit performed in accordance with GAGAS. Non-Federal entities must also submit a complete single audit reporting package (reporting package) to the Federal Audit Clearinghouse.³ The single audit includes an audit of the non-Federal entity's financial statements and Federal awards. The auditors performing the single audit determine whether the financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles. In addition, the auditors perform procedures on the non-Federal entity's internal controls over Federal programs. Also, the auditors determine whether the non-Federal entity complied with Federal laws, regulations, and the terms and conditions of Federal awards that may have a direct and

¹ The Government Accountability Office's "Government Auditing Standards" incorporates the American Institute of Certified Public Accountants' "Codification of Statements on Auditing Standards." Title 2 Code of Federal Regulations part 200, subpart F, "Audit Requirements," identifies the Federal requirements for single audits.

² Office of Management and Budget, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," commonly referred to as the Uniform Guidance, implemented in 2 CFR part 200 (January 2020).

³ The reporting package includes the auditor's reports, the financial statements, the schedule of expenditures of Federal awards, the summary schedule of prior audit findings, and a corrective action plan, as 2 CFR 200.512(c) requires. The Office of Management and Budget designated the Federal Audit Clearinghouse as the repository of record for single audit reports. As 2 CFR 200.512(g) requires, the Federal Audit Clearinghouse maintains a database of completed audits, provides appropriate information to Federal agencies, and performs followup with auditees that have not submitted the required information.

material effect on its major programs. The Single Audit Act and Uniform Guidance require Federal agencies to assess the quality of single audits. Our review of the USO's FY 2020 single audit satisfies this requirement.

The United Service Organizations Provides Support to American Service Members and Military Families

The USO is a congressionally chartered not-for-profit organization focused on keeping Service members connected to family, home, and country throughout their service to the Nation. The USO has supported Service members, veterans, and their families since 1941, providing live entertainment, social facilities, and other programs. In FY 2020, the USO spent approximately \$44 million on two DoD programs: the World-Wide DoD Military Services Support program and the Spirit of Hope Endowment. The USO engaged Grant Thornton to perform its FY 2020 single audit.

Grant Thornton Performed the Single Audit

Grant Thornton is an accounting and consulting firm that provides assurance, tax, and advisory services for a wide range of companies. As required by GAGAS, Grant Thornton is responsible for establishing and maintaining a system of quality control. The system of quality control must provide reasonable assurance that the audit organization and its staff comply with professional standards and legal and regulatory requirements.⁴ Grant Thornton must also obtain an external peer review of its system of quality control conducted by reviewers independent of the audit firm.⁵ The most recently published external peer review concluded that Grant Thornton had suitably designed and complied with its system of quality control for the accounting and auditing practice.⁶ The Grant Thornton office in Arlington, Virginia, performed the USO's FY 2020 single audit.

Review Results

We determined that Grant Thornton complied with GAGAS and Uniform Guidance requirements when it performed the FY 2020 single audit of the USO. We used the Council of the Inspectors General on Integrity and Efficiency (CIGIE) "Guide for Quality Control Reviews of Single Audits" to perform our review. The CIGIE Guide identifies audit procedures that auditors must perform and document during the single audit to meet GAGAS and Uniform Guidance requirements. We reviewed Grant Thornton's audit documentation, analyzed the nature and extent of Grant Thornton's audit procedures, and verified whether Grant Thornton obtained

⁴ Government Auditing Standard 5.02, "Quality Control and Assurance," July 2018 (Updated April 2021).

⁵ Government Auditing Standard 5.60, "External Peer Review," July 2018 (Updated April 2021).

⁶ "Report of the Firm's System of Quality Control," dated October 8, 2020, completed by BKD, LLP CPAs & Advisors.

sufficient evidence to support its conclusions and audit report opinion. Specifically, we verified whether Grant Thornton complied with the requirements for each of the following aspects of the FY 2020 single audit of the USO:

- qualification of auditors,
- auditor independence,
- due professional care,
- planning and supervision,
- audit followup,
- internal control and compliance testing,
- schedule of expenditures of Federal awards, and
- reporting.

Appendix A

Scope and Methodology

We conducted this quality control review from April 2022 through September 2022 in accordance with the “Quality Standards for Inspection and Evaluation,” published in December 2020 by the CIGIE. Those standards require that we adequately plan the quality control review to ensure that objectives are met and that we perform the review to obtain sufficient, competent, and relevant evidence to support the findings, conclusions, and recommendations. We believe that the evidence we obtained was sufficient, competent, and relevant to lead a reasonable person to sustain the conclusions.

The Office of Management and Budget designated the Federal Audit Clearinghouse as the repository of record for single audit reports. The Federal Audit Clearinghouse received the USO’s FY 2020 single audit report on May 24, 2021. The single audit report identified the World-Wide DoD Military Services Support program and Spirit of Hope Endowment as the major Federal programs at the USO. We reviewed the FY 2020 single audit of the USO performed by Grant Thornton using the CIGIE “Guide for Quality Control Reviews of Single Audits” (2021 edition). We focused our review on the following aspects of the single audit:

- qualification of auditors,
- auditor independence,
- due professional care,
- planning and supervision,
- audit followup,
- internal control and compliance testing,
- schedule of expenditures of Federal awards, and
- reporting.

We conducted interviews with the Grant Thornton auditors assigned to Grant Thornton’s Arlington, Virginia, office, who performed the FY 2020 single audit of the USO. We reviewed Grant Thornton’s audit files for the FY 2020 single audit to assess whether Grant Thornton conducted the single audit in accordance with GAGAS and Uniform Guidance requirements. GAGAS includes both the Government Accountability Office’s “Government Auditing Standards” and the American Institute of Certified Public Accountants’ “Codification of Statements on Auditing Standards,” which are incorporated into GAGAS by reference. Uniform Guidance requirements for single audits are identified in 2 CFR part 200.

Our review included evaluating evidence of Grant Thornton’s independence, auditor qualifications, and the latest external peer review. We also reviewed all audit documentation that the Grant Thornton auditors prepared to support the audit opinions on whether the USO’s financial statements and its schedule of expenditures of Federal awards were fairly presented in all material respects. In addition, we verified that the Grant Thornton auditors supported their determination on the compliance requirements they identified as direct and material to the major programs. We reviewed all documentation that the Grant Thornton auditors prepared to support the audit opinion on whether the USO complied with the compliance requirements that could have a direct and material effect on the major programs. Our review of Grant Thornton’s audit documentation on direct and material compliance requirements included analyzing audit procedures the Grant Thornton auditors performed to: (1) understand the USO’s internal controls, (2) select samples for testing, and (3) test the internal controls and compliance with Federal requirements. As necessary, we discussed the audit procedures performed with the Grant Thornton auditors to understand and verify the audit work they performed. Appendix B lists the compliance requirements that Grant Thornton identified as direct and material to the USO’s major programs for the fiscal year ended December 31, 2020.

Use of Computer-Processed Data

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

Prior Coverage

During the last 5 years, the DoD Office of Inspector General (DoD OIG) issued one report discussing a single audit performed by Grant Thornton.

Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

DoD OIG

Report No. DODIG-2019-033, “Quality Control Review of the Grant Thornton LLP FY 2017 Single Audit of Concurrent Technologies Corporation,” December 6, 2018

Grant Thornton generally complied with auditing standards and Uniform Guidance requirements. However, we identified deficiencies in the review of the Reporting and Cash Management compliance requirements that required correction in future single audits.

Appendix B

Compliance Requirements

The Office of Management and Budget issues the Compliance Supplement, which provides guidance to assist auditors in determining compliance requirements applicable to the audit.⁷ The Compliance Supplement summarizes Federal requirements into 12 compliance requirements. The USO's major programs, the World-Wide DoD Military Services Support program and the Spirit of Hope Endowment, are not listed in the Compliance Supplement. However, the Compliance Supplement states that for major Federal programs not covered in the Compliance Supplement, the auditor must use the 12 compliance requirements described in the Compliance Supplement as guidance to identify the applicable compliance requirements that could have a direct and material effect on the Federal program. Auditors who perform a single audit are required to test those compliance requirements that are direct and material to the major program.

For the Spirit of Hope Endowment program, the Grant Thornton auditors determined that none of the compliance requirements were direct and material to the program. For the World-Wide DoD Military Services Support program, the Grant Thornton auditors determined that 5 of the 12 compliance requirements, as identified in the following table, were direct and material to the program.

Table. Uniform Guidance Compliance Requirements that Grant Thornton Identified as Direct and Material to the World-Wide DoD Military Services Support Program

Uniform Guidance Compliance Requirements	Direct and Material
Activities Allowed or Unallowed	X
Allowable Costs/Cost Principles	X
Cash Management	X
Eligibility	
Equipment and Real Property Management	
Matching, Level of Effort, Earmarking	
Period of Performance	X
Procurement, Suspension, and Debarment	
Program Income	
Reporting	X
Subrecipient Monitoring	
Special Tests and Provisions	

Source: The DoD OIG, based on Grant Thornton's audit documentation.

⁷ 2 CFR part 200, Appendix XI, "Compliance Supplement," August 2020.

Acronyms and Abbreviations

- CFR** Code of Federal Regulations
- CIGIE** Council of the Inspectors General on Integrity and Efficiency
- GAGAS** generally accepted government auditing standards
- USO** United Service Organizations, Inc.



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