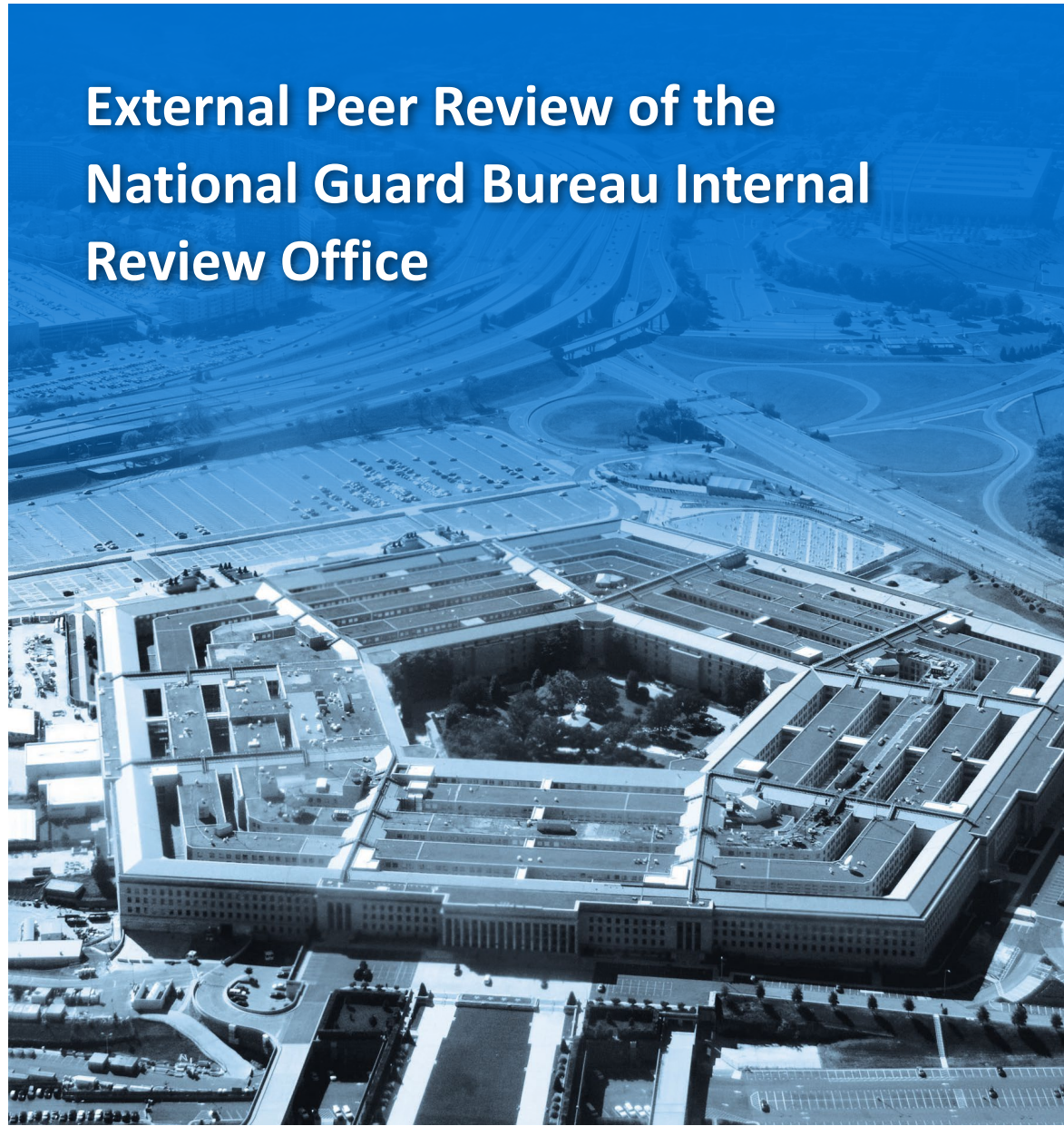




INSPECTOR GENERAL

U.S. Department of Defense

MAY 30, 2025



External Peer Review of the National Guard Bureau Internal Review Office

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY





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

May 30, 2025

MEMORANDUM FOR CHIEF, NATIONAL GUARD BUREAU

SUBJECT: External Peer Review of the National Guard Bureau Internal Review Office
(Report No. DODIG-2025-107)

This final report provides the results of the DoD Office of Inspector General's external peer review of the National Guard Bureau (NGB) Internal Review (IR) Office. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

This report contains three recommendations that we consider unresolved because the NGB IR Director did not fully address the recommendations presented in the report. We will track the recommendations until the NGB IR Director agrees to take action that we determine to be sufficient to meet the intent of the recommendations and provides adequate documentation showing that all agreed-on actions to implement the recommendations are completed. DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore, within 30 days, please provide us your response concerning specific actions in process or completed on the recommendations. Send your response to [REDACTED]

This report also contains four recommendations that we consider resolved but open. We will close the recommendations when the NGB IR Director provides documentation showing that all agreed-on actions to implement the recommendations are completed. Therefore, please provide us your supporting documentation within 30 days concerning specific actions in process or completed. Send your response to [REDACTED]

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

A handwritten signature in black ink, appearing to read "R. Stone", is located above the name of the Assistant Inspector General.

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

Enclosure:
As stated





May 30, 2025

MEMORANDUM FOR CHIEF, NATIONAL GUARD BUREAU

SUBJECT: System Review Report on the External Peer Review of the National Guard Bureau Internal Review Office (Report No. DODIG-2025-107)

We reviewed the system of quality control for the National Guard Bureau (NGB) Internal Review (IR) Office in effect for the 3-year review period that ended on February 29, 2024. A system of quality control encompasses the NGB IR Office's structure, adopted policies, and established procedures to provide it with reasonable assurance of conforming in all material respects with Generally Accepted Government Auditing Standards (GAGAS) and applicable legal and regulatory requirements.¹ The elements of quality control are described in GAGAS.

In our opinion, except for the deficiencies described in this report, the system of quality control for the NGB IR Office in effect for the 3-year review period that ended on February 29, 2024, was suitably designed and complied with to provide the NGB IR Office with reasonable assurance of performing and reporting in conformity with GAGAS and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The NGB IR Office received an external peer review rating of *pass with deficiencies*. The external peer review rating of *pass with deficiencies* is based on our assessment of the design of the NGB IR Office's system of quality control and the extent of compliance with GAGAS and NGB IR Office policies and procedures. We considered the nature, pervasiveness, and relative importance of the deficiencies we identified and the extent of compliance with GAGAS as a whole. The deficiencies we identified could create a situation in which the NGB IR Office would not have reasonable assurance of performing or reporting in conformity with applicable professional standards in one or more important respects. However, none of the deficiencies rises to the level of a significant deficiency as defined in the Council of the Inspectors General on Integrity and Efficiency (CIGIE) "Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General" (CIGIE Guide), which is required to support a fail rating.² Therefore, we determined that our review supports a *pass with deficiencies* rating for the NGB IR Office Headquarters, as well as the 54 IR divisions of the U.S. Property and Fiscal Office (USPFO) as a whole.

¹ GAGAS, 2018 Revision, April 2021 Technical Update.

² CIGIE Guide, March 2020 Revision. The CIGIE Guide defines a significant deficiency as one or more deficiencies that result in the system of quality control not providing the audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. According to the CIGIE Guide, only peer reviews that identify one or more significant deficiencies result in a fail rating.

Letter of Comment

We issued a Letter of Comment, dated May 30, 2025, that sets forth findings that we did not consider to be of sufficient significance to affect our opinion expressed in this report.

Basis of Opinion

We conducted our peer review in accordance with GAGAS and the CIGIE Guide. We interviewed NGB IR auditors to obtain an understanding of the nature of the NGB IR Office and the design of its system of quality control. The understanding we obtained was sufficient to assess the risks implicit in NGB IR Office audit functions. Based on our assessment of the risks, we nonstatistically selected samples of performance audits and nonaudit services that the NGB IR Office completed from March 1, 2021, through February 29, 2024, consisting of:

- 3 of 23 performance audits conducted by the NGB IR Office Headquarters,
- 11 of 96 performance audits conducted at 4 of 54 NGB USPFO IR divisions,
- 1 of 3 nonaudit services performed by the NGB IR Office Headquarters, and
- 7 of 36 nonaudit services performed by 4 of 54 NGB USPFO IR divisions.

The samples of 14 performance audits and 8 nonaudit services we selected represent a reasonable cross-section of the universe of 119 performance audits and 39 nonaudit services that the NGB IR Office Headquarters and four NGB USPFO IR divisions completed during the 3-year review period that ended on February 29, 2024.

In performing our review, we tested for compliance with GAGAS and the NGB IR Office's quality control policies and procedures to the extent that we considered appropriate. These tests covered the application of the NGB IR Office's policies and procedures on the selected performance audits and nonaudit services. We based our review on selected tests; therefore, our review would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

On March 17, 2025, we held an exit conference with NGB IR management representatives to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. The Enclosure identifies our scope and methodology, including our basis for selecting the samples of 14 performance audits and 8 nonaudit services.

Responsibilities and Limitations

The NGB IR Office is responsible for establishing and maintaining a system of quality control designed to provide reasonable assurance that the organization and its personnel comply in all material respects with GAGAS and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and the NGB IR Office's compliance based on our review. Inherent limitations exist in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. The 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.

Organization of the NGB IR Office

The NGB IR Office is an independent audit activity serving the National Guard Bureau Chief. The NGB IR Office is responsible for providing audit services to all Army and Air National Guard activities nationwide. Also, the NGB IR Office assists senior managers in providing objective analyses, appraisals, recommendations, consultations, and independently generated information concerning managed activities.

The NGB IR Offices consists of the Headquarters office and 54 USPFO IR divisions. The USPFO IR divisions are state-level NGB IR offices that are organizationally aligned under and report directly to the U.S. Property and Fiscal Officer, who is the independent Federal official in each state.

As the office of primary responsibility, the NGB IR Office Headquarters:

- establishes NGB audit policies and procedures for the national and state-level internal review divisions,
- provides oversight to the national and state-level internal review divisions, and
- develops and provides training to national and state-level auditors.

We identified all four of the following deficiencies at the Nevada USPFO IR Division. The deficiencies were isolated to the Nevada USPFO IR Division and, based on our review of the NGB IR Office Headquarters and four USPFO IR divisions, the deficiencies do not appear to be systemic for the NGB IR Office as a whole.

Deficiency 1. One Supervisor at the Nevada USPFO IR Division Did Not Meet Generally Accepted Government Auditing Standards for Competence

For 2 of the 14 performance audits we reviewed, one supervisor did not meet the competence requirements contained in GAGAS. The supervisor was employed at the Nevada USPFO IR Division from December 2018 through August 2023.

We determined that the supervisor assigned to Report No. IR 23-04, “Cooperative Agreement 4001-Youth Challenge Program,” and Report No. IR 23-05, “Master Cooperative Agreement Appendix 1007-Army National Guard Training Support System Programs,” did not meet the U.S. Government and NGB IR Office educational requirements for the supervisory auditor

occupational job series.³ Additionally, we determined that the supervisor did not meet GAGAS requirements for continuing professional education (CPE) requirements during the 2-year CPE reporting periods of 2020 through 2021 and 2022 through 2023.

GAGAS 4.05 defines competence as the knowledge, skills, and abilities obtained from education and experience that are necessary to conduct a GAGAS engagement. Additionally, GAGAS 4.02 states that the audit organization's management must assign auditors to conduct the engagement who before beginning work on the engagement collectively possess the competence needed to address the engagement objectives and perform their work in accordance with GAGAS. Furthermore, GAGAS 4.06 states that competence is derived from a combination of education and experience. Lastly, GAGAS 4.16 states that auditors who plan, direct, perform engagement procedures for, or report on an engagement conducted in accordance with GAGAS should develop and maintain their professional competence by completing at least 80 hours of CPE in every 2-year CPE reporting period.

The Supervisor Did Not Meet the U.S. Government and NGB IR Office Educational Requirements for the Supervisory Auditor Occupational Job Series

The Nevada USPFO IR Division supervisor did not meet the Office of Personnel Management (OPM) and NGB IR Office educational requirements for the supervisory auditor occupational job series.⁴ OPM's occupational job series for a U.S. Government auditor is the 0511 series. OPM requires individuals employed as an auditor to possess a degree in accounting or a degree in a related field such as business administration, finance, or public administration. Also, when the supervisor began employment at the Nevada USPFO IR Division, OPM requirements stated that if an auditor does not possess a degree in accounting, but possesses a degree in a related field, then the degree must be supplemented by 24 semester hours in accounting. Additionally, NGB IR Policy Memorandum "NGB Quality Control Review Program," March 22, 2023, states that all auditors employed at the NGB IR offices must be qualified as a 0511 job series auditor.⁵

In April 2022, the NGB IR conducted an internal quality control review of the Nevada USPFO IR Division and determined that the division's supervisor did not possess a degree in accounting but possessed a college degree in General Studies.⁶ Additionally, the NGB IR Office Headquarters determined that the supervisor completed only 12 semester hours in accounting, and did not complete 24 semester hours in accounting, as required by OPM.

³ Nevada USPFO IR Report No. IR 23-04, "Audit of Cooperative Agreement 4001-Youth Challenge Program," June 27, 2023; Nevada USPFO IR Report No. 23-05, "Audit of Master Cooperative Agreement Appendix 1007-Army National Guard Training Support Systems (TSS) Programs," September 7, 2023, respectively.

⁴ The Office of Personnel Management serves as the chief human resources agency and personnel policy manager for the U.S. Government.

⁵ NGB IR Policy Memorandum (23-10), "NGB Quality Control Review Program," March 22, 2023.

⁶ NGB IR Office Report No. QCR Final Report No. 2021Q008, "Quality Control Review of the Nevada National Guard Internal Review," April 18, 2022.

We reviewed the supervisor's college transcript and agreed with the NGB IR Headquarters' conclusions that the supervisor did not meet OPM and NGB IR Office educational requirements for the supervisory auditor occupational job series. However, the NGB IR Office Headquarters did not provide a recommendation for corrective action that the Nevada USPFO IR Division should take to assess the significance of the GAGAS competency noncompliance that was identified and how the noncompliance could affect the performance audits the supervisor was assigned to. The current NGB IR Director was unable to determine why a recommendation was not provided because the staff members who conducted the internal quality control review are no longer employed by the NGB IR Office.

The NGB IR Office Headquarters did not recommend that the auditors at the Nevada USPFO IR Division take corrective actions to help ensure that the auditors comply with GAGAS 2.19 and 9.05. GAGAS 2.19 and 9.05 state the following requirements.

- **GAGAS 2.19.** When auditors do not comply with applicable requirements, they should: (1) assess the significance of noncompliance to the engagement objectives; (2) document the assessment, along with the reasons for not following the requirements; and (3) determine which type of GAGAS compliance statement to use in the audit report.
- **GAGAS 9.05.** When auditors do not comply with all applicable GAGAS requirements, they should include a modified GAGAS compliance statement in the audit report.

The NGB IR Office Headquarters provided one recommendation to the Nevada U.S. Property and Fiscal Officer that was related to the OPM and NGB IR Office educational requirements for an auditor. Specifically, the NGB IR Office Headquarters recommended that the Nevada U.S. Property and Fiscal Officer develop and implement a program to help ensure that an auditor is able to complete the required amount of semester hours of accounting required by OPM and the NGB IR Office. The recommendation stated that the auditor was to complete the educational requirements by March 2023. This time frame is within 12 months from the date the NGB IR Office Headquarters issued its internal quality control report for the Nevada USPFO IR Division (April 18, 2022).

Deficiency 2 in this System Review Report further addresses the Nevada USPFO IR Division's noncompliance with GAGAS 2.19 and 9.05.

The Supervisor Did Not Meet Generally Accepted Government Auditing Standards CPE Requirements During the CPE Reporting Period

The Nevada USPFO IR Division supervisor did not meet the GAGAS CPE requirements during the 2-year reporting period from January 1, 2020, through December 31, 2021. In addition, the Nevada USPFO IR Division supervisor did not meet the GAGAS CPE requirements during year 1 of the 2-year reporting period of January 1, 2022, through December 31, 2023.

We expanded the scope of the CPE review to include the 2-year CPE reporting period of January 1, 2020, through December 31, 2021, after we determined that the supervisor did not meet the GAGAS CPE requirements during the most recently completed 2-year reporting period of January 1, 2022, through December 31, 2023.

GAGAS 4.16 states that auditors who plan, direct, perform, or report on engagements conducted in accordance with GAGAS should complete at least 24 hours of CPE every 2 years that relates to the government environment, government auditing, or the specific or unique environment in which the audited entity operates. Furthermore, GAGAS 4.16 states that auditors should complete at least an additional 56 hours of CPE every 2 years in subject matter that directly enhances the auditors' professional expertise to conduct engagements. Lastly, GAGAS 4.17 states that auditors should complete at least 20 hours of CPE in each year of the 2-year period.

During the 2-year CPE reporting period of January 1, 2020, through December 31, 2021, the supervisor completed 32 CPE hours in 2020 and did not complete any CPE hours in 2021. As a result, the supervisor met only the GAGAS 20-hour and 24-hour CPE requirements. Additionally, we determined that the supervisor did not meet the GAGAS 20-hour CPE requirement during the 2-year CPE reporting period of January 1, 2022, through December 31, 2023.⁷ Specifically, the supervisor did not complete any CPE hours in 2022. Although the supervisor was employed at the Nevada USPFO IR Division during only 1 year of the 2-year CPE reporting period, the supervisor was subject to the GAGAS 20-hour CPE requirement in 2022.

The NGB IR Office Took Action During Our Review

In October 2024, the Nevada U.S. Property and Fiscal Officer hired a new supervisor in the Nevada USPFO IR Division. The current supervisor meets the OPM and NGB IR Office education requirements. The current supervisor possesses a degree in business with a concentration in accounting, and the degree is supplemented by 24 semester hours of accounting. Because of the corrective action the Nevada U.S. Property and Fiscal Officer took, we are not making any recommendations for Deficiency 1.

⁷ The supervisor left the Nevada USPFO IR Division in November 2023 and was not required to meet the GAGAS 20-hour CPE, 24-hour, and 56-hour requirements before their departure.

Deficiency 2. Auditors at One USPFO IR Division Did Not Assess the Significance of a Noncompliance with Generally Accepted Government Auditing Standards to Engagement Objectives of Two Performance Audits

For 2 of the 14 performance audits we reviewed, auditors at the Nevada USPFO IR Division did not assess the significance of a noncompliance with GAGAS to the engagement objectives. Also, the auditors included an unmodified GAGAS compliance statement in the audit reports, even though the auditors did not comply with all applicable GAGAS requirements; specifically, the GAGAS competency requirements discussed in Deficiency 1 in this System Review Report.

GAGAS 2.19 states that when auditors do not comply with applicable requirements, they should: (1) assess the significance of noncompliance to the engagement objectives; (2) document the assessment, along with the reasons for not following the requirements; and (3) determine which type of GAGAS compliance statement to use in the audit report. Additionally, GAGAS 9.05 states that when auditors do not comply with all applicable GAGAS requirements, they should include a modified GAGAS compliance statement in the audit report.

Also, the NGB IR Audit Documentation and Reporting Handbook states that when auditors do not comply with any applicable requirements, they should (1) assess the significance of the noncompliance to the audit objectives, (2) document the assessment, along with their reasons for not following the requirement, and (3) determine the type of GAGAS compliance statement. The auditors' determination will depend on the significance of the requirements not followed in relation to the audit objectives.

The two performance audits we reviewed were Report No. IR 23-04, "Audit of Cooperative Agreement 4001-Youth Challenge Program," and Report No. IR 23-05, "Audit of Master Cooperative Agreement Appendix 1007-Army National Training Support Systems Programs." Both performance audits began in March 2023, which was after the NGB IR Office Headquarters completed an internal quality control review in April 2022. The NGB IR Office Headquarters determined that the Nevada USPFO IR Division supervisor did not meet the GAGAS competency requirements.

When auditors do not comply with applicable GAGAS requirements, they should assess the significance of the noncompliance to the engagement objectives. The assessment will help ensure that the audit results are accurately presented, the potential impact of noncompliance is properly communicated, and users of the audit report can make informed decisions based on a clear understanding of any limitations or risks associated with the audit work.

This deficiency does not rise to the level of a significant deficiency as defined in the CIGIE Guide because the auditors otherwise complied with GAGAS when they performed the two performance audits we reviewed.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the U.S. Property and Fiscal Officer for the Nevada National Guard issue a memorandum to the auditors assigned to the Internal Review Division emphasizing that when auditors do not comply with Generally Accepted Government Auditing Standards requirements, the auditors should take the following actions in accordance with Generally Accepted Government Auditing Standards 2.19 and 9.05.

- a. Assess the significance of noncompliance to the engagement objectives.
- b. Document the assessment, along with the reasons for not following the requirement.
- c. Determine which type of Generally Accepted Government Auditing Standards compliance statement to use.
- d. Include a modified Generally Accepted Government Auditing Standards compliance statement in the audit report.

National Guard Bureau Internal Review Director Comments

The NGB IR Director, responding for the U.S. Property and Fiscal Officer for the Nevada National Guard, agreed, and stated that the NGB IR Office has a policy that directs the NGB IR audit organization to document all work performed and evidence collected in the NGB automated audit system. The system includes a quality control checklist for performance audits that the auditor-in-charge should complete to determine whether the auditors completed their work in accordance with GAGAS.

Our Response

Comments from the NGB IR Director partially address the specifics of the recommendation; therefore, the recommendation is unresolved. Specifically, the Director's comments did not describe how the NGB IR Office's existing policies will address the deficiency. We agree that the quality control checklist for performance audits can help the auditors determine whether their work is in accordance with GAGAS. However, the auditors should also prepare a working paper to document the noncompliance with GAGAS when conducting a performance audit. The working paper will show that the auditors assessed the significance of the noncompliance to the engagement objectives; documented the assessment, along with the reasons for not following the requirements; and determined which type of GAGAS compliance statement to use in the audit report. Therefore, we request that the NGB IR Director provide additional comments within 30 days of this report describing how they will ensure that when auditors do not comply with GAGAS, the auditors take actions to comply with GAGAS 2.19 and 9.05.

Deficiency 3. Auditors at One USPFO IR Division Did Not Perform Adequate Monitoring of Quality Procedures for 2 Years of the 3-Year Review Period

The auditors at the Nevada USPFO IR Division did not perform monitoring of quality procedures in 2 years of the 3-year review period that ended on February 29, 2024. GAGAS 5.43 states that an audit organization should perform monitoring procedures that enable it to assess compliance with professional standards and quality control policies and procedures for GAGAS engagements. GAGAS 5.44 also states that the audit organization should analyze and summarize the results of its monitoring process at least annually, with identification of any systemic or repetitive problems needing improvement, along with recommendations for corrective actions.

Additionally, NGB IR Policy Memorandum 23-10, “NGB Quality Control Review Program,” states that all NGB IR offices are required to establish and maintain a quality control program to evaluate the operations of their IR office. Furthermore, the memorandum states that the purpose of the program is to provide reasonable assurance that audit work conforms to GAGAS and other applicable legal and regulatory guidance.⁸

In April 2022, the NGB IR Office Headquarters performed an internal quality control review of the Nevada USPFO IR Division. However, the Nevada USPFO IR Division did not perform monitoring of quality procedures in 2021 and 2023 to assess the quality of the work the auditors performed. An auditor at the Nevada USPFO IR Division informed us that they did not have any knowledge as to why the Nevada USPFO IR Division did not perform monitoring of quality procedures in 2021 and 2023.⁹

This deficiency does not rise to the level of a significant deficiency as defined in the CIGIE Guide because the NGB IR Office has policies and procedures for monitoring its system of quality control, and this deficiency was identified at only one of the four NGB IR offices we reviewed.

Recommendations, Management Comments, and Our Response

Recommendation 2

We recommend that the U.S. Property and Fiscal Officer for the Nevada National Guard develop and implement a process for the monitoring and documentation of quality in their office in accordance with Generally Accepted Government Auditing Standards 5.43 and 5.44.

⁸ NGB-IR Policy Memorandum 23-10, “NGB Quality Control Review Program,” March 22, 2023.

⁹ Previous supervisors at the Nevada USPFO IR Division were not available to answer our follow-up questions during this peer review. As a result, we presented our follow-up questions to the audit staff.

National Guard Bureau Internal Review Director Comments

The NGB IR Director, responding for the U.S. Property and Fiscal Officer for the Nevada National Guard, agreed and stated that the NGB IR Office has a policy that requires audit offices to perform an internal quality control review to monitor and document the quality of their office and to perform an internal quality control review when the NGB IR Office has not conducted an internal quality control review. The policy requires a member of the audit staff to conduct a self-review or to have another state IR office perform the review to ensure compliance with GAGAS 5.43 and 5.44. In addition, the NGB IR Director will require the state IR offices to provide a copy of their completed internal quality control reports.

Our Response

Comments from the NGB IR Director partially addressed the specifics of the recommendation; therefore, the recommendation is unresolved. Specifically, the Director's comments did not describe how the NGB IR Office's existing policies will address the deficiency. We agree that the NGB IR Office has policies and procedures in place for monitoring of quality. However, the Nevada USPFO IR Division did not perform monitoring of quality procedures in 2 years of the 3-year review period we reviewed. Our peer review identified noncompliance with the GAGAS monitoring of quality requirements that necessitate improvements at the Nevada USPFO IR Division. Having a process in place will help ensure compliance with GAGAS and the NGB IR Office's policies and procedures to provide reasonable assurance that its system of quality control is effective. Therefore, we request that the NGB IR Director provide additional comments within 30 days of this report describing how they will develop and implement a process specifically for the Nevada USPFO IR Division for the monitoring and documentation of quality in accordance with GAGAS 5.43 and 5.44.

Deficiency 4. Auditors at One USPFO IR Division Did Not Comply with Government Auditing Standards When They Performed a Nonaudit Service

For one of the eight nonaudit services we reviewed, the auditors from the Nevada USPFO IR Division did not comply with one or more of the GAGAS requirements for nonaudit services. This deficiency was identified during the previous peer review of the NGB IR Office.¹⁰

We reviewed "Special Review 22-18, Multicultural/Diversity Day Purchases," and determined that the auditors did not comply with the following GAGAS for nonaudit services.

- GAGAS 3.73 states that before auditors agree to provide nonaudit services to an audited entity that the audited entity's management requested and that could create a threat to independence, either by themselves or in aggregate with other nonaudit

¹⁰ DoD OIG Report No. DODIG-2022-062, "External Peer Review of the National Guard Bureau Internal Review Office," February 10, 2022. The DoD OIG reported that the auditors at the Florida USPFO IR Division did not comply with GAGAS when they performed nonaudit services.

services provided, with respect to any GAGAS engagement that the auditors conduct, the auditors should determine that the audited entity has designated an individual who possesses suitable skill, knowledge, or experience and that the individual understands the services to be provided sufficiently to oversee them.

- GAGAS 3.74 states that auditors should document their consideration of management's ability to effectively oversee the nonaudit services to be provided.
- GAGAS 3.76 states that auditors providing nonaudit services to audited entities should obtain agreement from audited entity management that their management performs the following functions in connection with the nonaudit services:
 - assumes all management responsibilities;
 - oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience;
 - evaluates the adequacy and results of the services to be provided; and
 - accepts responsibility for the results of the services.
- GAGAS 3.77 states that, in connection with nonaudit services, auditors should establish and document their understanding with the audited entity's management or those charged with governance, as appropriate, on the following aspects:
 - objectives of the nonaudit service,
 - services to be provided,
 - audited entity's acceptance of its responsibilities as discussed in paragraph 3.76,
 - the auditors' responsibilities, and
 - any limitations on the provision of nonaudit services.

In addition, NGB IR Office Memorandum, "Policy (23-8), Independence Impairment Assessment When Planning to Perform Nonaudit Engagements," states that auditors should prepare a working paper to show that they assessed independence when planning to perform a nonaudit service.¹¹ The memorandum also states that the auditors' documentation must include information on the individual who has been designated by the audited entity to oversee the nonaudit service.

The NGB IR Office Took Corrective Actions on a Previous Peer Review Recommendation for Nonaudit Services

The NGB IR Office took corrective actions to address a previous peer review recommendation on nonaudit services. In Report No. DODIG-2022-062, the DoD OIG reported that for three of the nine nonaudit services reviewed, the NGB IR Office auditors did not comply

¹¹ NGB IR Office Memorandum, "Policy (23-8), Independence Impairment Assessment When Planning to Perform Nonaudit Engagements," March 22, 2023.

with GAGAS 3.64, 3.73, 3.74, 3.76, and 3.77.¹² One USPFO IR Division (Florida) conducted three nonaudit services. The DoD OIG recommended that the U.S. Property and Fiscal Officer for the Florida National Guard require that the auditors assigned to the Internal Review Division obtain training on performing nonaudit services in accordance with GAGAS. The corrective actions taken by the NGB IR Office were adequate to address this deficiency. However, the training on performing nonaudit services was provided to the Florida USPFO IR Division only.

We did not identify any actual independence impairments associated with the Nevada USPFO IR Division auditors who performed the nonaudit service. Because providing nonaudit services to audited entities may create threats to an auditor's and organization's independence, it is important that auditors performing nonaudit services comply with GAGAS.

This deficiency does not rise to the level of a significant deficiency as defined in the CIGIE Guide because we did not identify any actual independence impairments associated with the Nevada USPFO IR Division auditors who performed the nonaudit service.

Recommendations, Management Comments, and Our Response

Recommendation 3

We recommend that the U.S. Property and Fiscal Officer for the Nevada National Guard require that auditors assigned to the Internal Review Division obtain training on performing nonaudit services in accordance with Generally Accepted Government Auditing Standards.

National Guard Bureau Internal Review Director Comments

The NGB IR Director, responding for the U.S. Property and Fiscal Officer for the Nevada National Guard, agreed and stated that the supervisory auditor at the Nevada USPFO IR Division is the only auditor in that office. In addition, the supervisory auditor instructed the NGB IR Office's Advance Auditor Training Course in August 2024. The training course included instruction on performing nonaudit services in accordance with GAGAS. Once the U.S. Property and Fiscal Officer for the Nevada National Guard hires additional auditors, the supervisory auditor will ensure that the auditors complete the training course.

¹² GAGAS 3.64 states that before auditors agree to provide a nonaudit service to an audited entity, they should determine whether providing such a service would create a threat to independence, either by itself or in aggregate with other nonaudit services provided, with respect to any GAGAS engagement they conduct.

Our Response

Comments from the NGB IR Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the NGB IR Director provides a copy of the Advance Auditor Training Course material showing that the course includes training on performing nonaudit services in accordance with GAGAS.

If you have any questions or would like to meet to discuss the review, please contact [REDACTED] We appreciate the cooperation and assistance we received during the peer review.



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

Enclosure

Scope and Methodology

We conducted this peer review from April 2024 through March 2025 in accordance with GAGAS and the CIGIE “Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General.” These standards and guide require that we obtain an understanding of the audit organization’s system of quality control and conclude whether the audit organization:

- appropriately designed the system to ensure compliance with GAGAS, and
- complied with GAGAS and internal policies and procedures.

We also conducted this peer review in accordance with the CIGIE “Quality Standards for Inspection and Evaluation,” published in December 2020. These standards require that we adequately plan the peer review to ensure that objectives are met and that we perform the peer review to obtain sufficient and relevant evidence to support the findings, conclusions, and recommendations.

This peer review covered the 3-year review period from March 1, 2021, through February 29, 2024. We tested the NGB IR projects for compliance with its system of quality control to the extent we considered appropriate. We selected a reasonable cross-section of work performed by the NGB IR Office Headquarters and the four selected USPFO IR divisions during the 3-year review period. As detailed in the following sections, we used the appendixes and procedures in the CIGIE Guide to conduct the peer review.

Policies and Procedures (CIGIE Guide Appendix A)

Using CIGIE Guide Appendix A, we obtained general information about the NGB IR Office’s system of quality control to determine the adequacy of the established policies and procedures and compliance with GAGAS. We requested that the NGB IR Office complete Column 1 of CIGIE Guide Appendix A, “Policies and Procedures,” and provide a copy of its relevant policies and procedures. Using Column 2 of CIGIE Guide Appendix A, we recorded our conclusion on the policies and procedures of NGB IR Office’s compliance with GAGAS. We concluded that the NGB IR Office policies and procedures are adequate and comply with GAGAS.

Checklist for the Standards of Independence, Competence and Continuing Professional Education, and Quality Control and Peer Review (CIGIE Guide Appendix B)

Using CIGIE Guide Appendix B, we performed tests to determine the extent to which NGB IR Office auditors complied with GAGAS’ general standards. The general standards consist of independence, competence and continuing professional education (CPE), and quality control and peer review.

Independence

We reviewed the independence records for the auditors assigned to the 22 projects we reviewed at the NGB IR Office Headquarters and four USPFO IR divisions. We concluded that the auditors at the Nevada USPFO IR Division did not comply with GAGAS when they performed one nonaudit service. See Deficiency 4 of this report for additional details. Additionally, for three performance audits we reviewed, a supervisor at the NGB IR Office Headquarters did not complete an independence statement to certify that they did not have any independence impairments. See Finding 3 in the Letter of Comment for additional details.

Competence and Continuing Professional Education

We interviewed a nonstatistical sample of 17 of 27 audit staff members assigned to the NGB IR Office Headquarters and four USPFO IR divisions.¹³ We interviewed the audit staff members to determine their understanding of, and compliance with, GAGAS and NGB IR Office quality control policies and procedures. Based on interviews, we concluded that the audit staff members are competent and had an adequate understanding of GAGAS and NGB IR Office policies and procedures.

We reviewed CPE documentation for all 27 auditors assigned to the NGB IR Office Headquarters and four USPFO IR divisions during the 2-year reporting period that covered 2022 and 2023. We reviewed CPE documentation to determine whether the auditors earned the minimum number of CPE hours required by GAGAS. We determined that the supervisor at the Nevada USPFO IR Division did not earn the total CPE hours required by GAGAS for the 2-year reporting period. As a result, we expanded our sample review to include the Nevada USPFO IR Division supervisor's CPE documentation to include the 2-year reporting period that covered 2020 and 2021. We determined that the supervisor did not earn the total CPE hours required by GAGAS for the 2-year reporting period that covered 2020 and 2021. See Deficiency 1 of this report for additional details.

Quality Control and Peer Review

We reviewed the NGB IR Office internal quality assurance reviews that the NGB IR Office Headquarters and four USPFO IR divisions completed from March 1, 2021, through February 29, 2024, to determine whether the audit organizations:

- performed monitoring of their projects that enabled them to assess compliance with professional standards and quality control policies and procedures,
- analyzed and summarized the results of their monitoring procedures, and
- identified any systemic or repetitive problems that needed improvement and made recommendations for corrective action.

¹³ We were unable to interview 1 of 27 audit staff members because the individual no longer worked at the NGB IR Office when we conducted the interviews in June 2024.

We determined that the NGB IR Office Headquarters and the Florida, Maryland, and Missouri USPFO IR divisions complied with GAGAS for the monitoring of quality procedures. We determined that the Nevada USPFO IR Division did not perform monitoring of quality procedures in 2 years of the 3-year review period that ended on February 29, 2024. See Deficiency 3 of this report for additional details.

Additionally, we determined that the NGB IR Office complied with GAGAS for peer reviews by obtaining a peer review once every 3 years. See the Prior Coverage section of this report for additional information on previously completed NGB IR Office peer reviews.

Checklist for Performance Audits (CIGIE Guide Appendix E)

From March 1, 2021, through February 29, 2024, the NGB IR Office completed 119 performance audits. We nonstatistically selected a sample of 14 performance audits for our review, consisting of:

- 3 of 23 conducted by the NGB IR Office Headquarters, and
- 11 of 96 conducted at 4 of 54 NGB USPFO IR divisions.

We chose performance audits that would provide a reasonable cross-section of performance audits that the NGB IR Office and four USPFO IR divisions conducted. For example, we chose performance audits that resulted in the selection of various supervisors and auditors from the NGB IR Office Headquarters and four USPFO IR divisions. We reviewed the performance audits for compliance with GAGAS using CIGIE Guide Appendix E. Table 1 lists the performance audits we selected for our review.

Table 1. NGB IR Office Performance Audits Selected for Review

Audit Title	Report Number	NGB IR Office
Audit of the Air National Guard Active Guard Reserve Program	2022-006	Headquarters
Audit of the Air National Guard Telework Program	2022-007	Headquarters
Audit of the Combat Readiness Training Centers	2023-004	Headquarters
Audit of the Air National Guard Facilities Operations and Maintenance Activities	2021-013	Florida USPFO IR Division
Audit of the Army National Guard Emergency Management Program Coordinator Activities Appendix 1011	2022-008	Florida USPFO IR Division
Audit of the Cooperative Agreement Appendix 1004 Army National Guard Electronic Security Systems	2023-007	Florida USPFO IR Division
Audit of the Maryland Army National Guard Command, Control, Communications, Computers, and Information Management Appendix	2022-009	Maryland USPFO IR Division
Audit of the Maryland Army National Guard Distributed Learning Program Appendix	2022-013	Maryland USPFO IR Division
Audit of the Environmental Differential Pay and Hazardous Duty Pay	2022-025	Missouri USPFO IR Division

Table 1. NGB IR Office Performance Audits Selected for Review (cont'd)

Audit Title	Report Number	NGB IR Office
Audit of the Missouri Army National Guard General Officer's Workdays and Travel	2023-007	Missouri USPFO IR Division
139 Airlift Wing Incentives and Montgomery GI Bill	2023-025	Missouri USPFO IR Division
Cooperative Agreement 1022, 139 Airlift Wing Air National Guard Environmental Program Management	2023-030	Missouri USPFO IR Division
Audit of the Youth Challenge Program	23-04	Nevada USPFO IR Division
Audit of the Master Cooperative Agreement Appendix 1007-Army National Guard Training Support System Programs	23-05	Nevada USPFO IR Division

Source: The DoD OIG.

Nonaudit Services Performed by the NGB IR Office

From March 1, 2021 through February 29, 2024, the NGB IR Office completed 39 nonaudit services. We nonstatistically selected a sample of 8 nonaudit services for our review, consisting of:

- 1 of 3 performed by the NGB IR Office Headquarters, and
- 7 of 36 performed by the four selected USPFO IR divisions.

In selecting our sample, we chose nonaudit services that would provide a reasonable cross-section of nonaudit services that the NGB IR Office performed. For example, we chose nonaudit services that resulted in the selection of various supervisors and auditors from the NGB IR Office Headquarters and four USPFO IR divisions. We reviewed the nonaudit services to determine whether the nonaudit services complied with GAGAS. We determined that the Nevada USPFO IR Division did not comply with GAGAS for one nonaudit service we reviewed. See Deficiency 4 in this report for additional details. Table 2 lists the nonaudit services we selected for review.

Table 2. NGB IR Office Nonaudit Services Selected for Review

Nonaudit Service	Project Number	NGB IR Office
Consulting Review of the Aerospace Control Alert Mission at March Air Reserve Base	2023-014	Headquarters
Facilities Inventory and Support Plan	2021-006	Florida USPFO IR Division
Review of the Maryland Army National Guard's CY 2022 Annual Statement of Assurance on the Risk Management and Internal Control Program	2023-001	Maryland USPFO IR Division
Financial Manager Certification Component Administrator FY 2023	2023-004	Maryland USPFO IR Division
Maryland National Guard Senior Management Council FY 2023	2023-005	Maryland USPFO IR Division
Unit Readiness	2022-037	Missouri USPFO IR Division

Table 2. NGB IR Office Nonaudit Services Selected for Review (cont'd)

Nonaudit Service	Project Number	NGB IR Office
Army National Guard Annual Statement of Assurance	2023-020	Missouri USPFO IR Division
Multicultural/Diversity Day Purchases	22-18	Nevada USPFO IR Division

Source: The DoD OIG.

Use of Computer-Processed Data

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

Prior Coverage

During the last 5 years, the DoD Office of Inspector General (DoD OIG) issued one report discussing the external peer review of the NGB IR Office. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

DoD OIG

“External Peer Review of the National Guard Bureau Internal Review Office,” Report No. DODIG-2022-062, February 10, 2022

The DoD OIG evaluated whether the NGB IR Office system of quality control in effect for the 3-year period that ended on February 28, 2021, was suitably designed and complied with to provide the NGB IR Office with reasonable assurance of performing and reporting in conformity with GAGAS and applicable legal and regulatory requirements in all material respects. The NGB IR Office received a peer review rating of *pass with deficiencies*. The DoD OIG identified deficiencies involving audit documentation, supervisory review, and nonaudit services.

The DoD OIG also issued a February 10, 2022 Letter of Comment identifying findings involving planning, independence, and reporting. The DoD OIG did not consider the findings to be significant enough to affect the opinion expressed in its February 10, 2022 report on the NGB IR Office.



May 30, 2025

MEMORANDUM FOR CHIEF, NATIONAL GUARD BUREAU

SUBJECT: Letter of Comment on the External Peer Review of the National Guard Bureau
Internal Review Office (Report No. DODIG-2025-107)

We reviewed the system of quality control for the National Guard Bureau (NGB) Internal Review (IR) Office in effect for the 3-year period that ended on February 29, 2024. We issued our System Review Report on May 30, 2025, in which the NGB IR Office received a rating of *pass with deficiencies*. The findings in this Letter of Comment should be read in conjunction with the System Review Report. The findings described below are not significant enough to affect our opinion in the System Review Report. We considered the nature, pervasiveness, and relative importance of the findings and the extent of noncompliance with Generally Accepted Government Auditing Standards (GAGAS) taken as a whole. We determined that the findings do not rise to the level of a deficiency as defined in the Council of the Inspectors General on Integrity and Efficiency (CIGIE) "Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General" (CIGIE Guide).¹⁴ Findings 1 and 2 were identified at the NGB IR Office Headquarters and one or more NGB USPFO IR divisions. Findings 3 and 4 were identified at the NGB IR Office Headquarters.

Finding 1

Auditors at the NGB IR Office Headquarters and Two USPFO IR Divisions Did Not Inquire About Ongoing Investigations or Legal Proceedings Significant to the Audit Objectives

For 6 of the 14 performance audits we reviewed, the auditors did not determine whether any ongoing investigations or legal proceedings existed that were significant in the context of the audit objectives. The NGB IR Office Headquarters and the Maryland and Nevada USPFO IR divisions each completed two of the six performance audits. This finding was identified during the previous peer review of the NGB IR Office.

GAGAS 8.27 states that auditors should inquire of management of the audited entity whether any investigations or legal proceedings significant to the audit objectives have been initiated or are in process with respect to the period under audit. Furthermore, GAGAS 8.27 states that auditors should evaluate the effect of initiated or in-process investigations or legal

¹⁴ CIGIE Guide, March 2020 Revision. The CIGIE Guide defines a deficiency as one or more findings that could create a situation in which the audit organization would not have reasonable assurance of performing and reporting in conformity with applicable professional standards in one or more important aspects.

proceedings on the current audit. Additionally, GAGAS 8.29 states that avoiding interference with investigations or legal proceedings is important in pursuing indications of fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements.

Also, the NGB IR Audit Documentation and Reporting Handbook includes an audit planning checklist that auditors should complete at the end of the planning phase of each audit.¹⁵ The checklist includes a question for the auditors to verify that they determined whether any ongoing investigations or legal proceedings existed that were significant within the context of the audit objectives. Lastly, NGB IR Policy Memorandum 23-5, “Auditor’s Responsibility for Fraud Prevention and Detection,” requires auditors to evaluate the effect on the current review, and to coordinate with investigators and legal authorities, when investigations or legal proceedings are initiated or in process.¹⁶

During our review, we asked the NGB IR Office Director, the Maryland USPFO IR Division supervisor, and an auditor at the Nevada USPFO IR Division why the auditors did not determine whether any significant, ongoing investigations or legal proceedings existed in the context of the audit objectives. The NGB IR Director and Nevada USPFO IR Division auditor stated that it was an oversight. The Maryland USPFO IR Division supervisor directed us to a working paper that discussed that the auditors inquired of management of the audited entity about audits, reviews, and evaluations significant to the audit objective. However, the working paper did not mention ongoing investigations or legal proceedings.

Table 3 lists the six performance audits where the auditors did not inquire about ongoing investigations or legal proceedings.

Table 3. Performance Audits at the NGB IR Office Headquarters and NGB USPFO IR Divisions Where the Auditors Did Not Inquire About Ongoing Investigations or Legal Proceedings

Audit Title	Report Number	NGB IR Office
Audit of the Air National Guard Active Guard Reserve Program	2022-006	Headquarters
Audit of the Combat Readiness Training Centers	2023-004	Headquarters
Audit of the Maryland Army National Guard Command, Control, Communications, Computers, and Information Management Appendix	2022-009	Maryland USPFO IR Division
Audit of the Maryland Army National Guard Distributed Learning Program Appendix	2022-013	Maryland USPFO IR Division
Audit of the Youth Challenge Program	23-04	Nevada USPFO IR Division
Audit of the Master Cooperative Agreement Appendix 1007-Army National Guard Training Support System Programs	23-05	Nevada USPFO IR Division

Source: The DoD OIG.

¹⁵ NGB IR Directorate Audit Documentation and Reporting Handbook, May 1, 2020.

¹⁶ NGB IR Policy Memorandum 23-5, “Auditor’s Responsibility for Fraud Prevention and Detection,” March 22, 2023.

The NGB IR Office Took Corrective Actions During the Previous Peer Review for Inquiries About Ongoing Investigations or Legal Proceedings Significant to the Audit Objectives

In Report No. DODIG-2022-062, the DoD OIG reported that for 14 of 19 performance audits reviewed, the NGB IR auditors did not determine whether there were any ongoing investigations or legal proceeding that were significant in the context of the audit objectives.¹⁷ The DoD OIG did not provide a recommendation for this finding because the NGB IR Office Director and the three USPFO IR divisions we reviewed took corrective actions during the peer review. For example, the NGB IR Director updated the NGB IR Audit Documentation and Reporting Handbook to include a checklist that auditors should use during the planning phase of each audit. The checklist includes a step for the auditors to verify that they determined whether any investigations or legal proceedings were significant to the audit objective. The corrective actions taken should have been adequate to help ensure that the auditors determine whether there are any ongoing investigations or legal proceedings that are significant within the context of the audit objectives during future audits.

We considered the relative importance of the current finding and extent of noncompliance with GAGAS and the NGB IR Office system of quality control as a whole. We determined that the finding does not rise to the level of a deficiency as defined by the CIGIE Guide. The NGB IR Office Headquarters, Nevada USPFO IR Division, and Maryland USPFO IR Division should take additional actions to ensure that auditors determine and document whether there are any ongoing investigations or legal proceedings that are significant in the context of the audit objectives.

Recommendations, Management Comments, and Our Response

Recommendation 4

We recommend that the National Guard Bureau Internal Review Office Director issue a memorandum to the auditors at the National Guard Bureau Internal Review Office Headquarters and the Internal Review divisions of the United States Property and Fiscal Office to emphasize the requirement to inquire of the audited entity's management whether any investigations or legal proceedings significant to the audit objectives have been initiated or are in process with respect to the period under audit, in accordance with Generally Accepted Government Auditing Standard 8.27.

¹⁷ DoD OIG Report No. DoDIG-2022-062, "External Peer Review of the National Guard Bureau Internal Review Office," February 10, 2022. The DoD OIG reported that the auditors at the NGB IR Office Headquarters and the Connecticut, Delaware, Florida, and Texas USPFO IR Divisions did not inquire about ongoing investigations or legal proceedings significant to the audit objectives.

National Guard Bureau Internal Review Director Comments

The NGB IR Director agreed and stated that the NGB IR Office has a policy that requires NGB IR offices to document all work performed and evidence collected in the automated audit system. The system includes a working paper template for investigations or legal proceedings significant to the audit objectives that the auditor should complete to comply with GAGAS 8.27.

Our Response

Comments from the NGB IR Director addressed the specifics of the recommendation; therefore, the recommendation is resolved, but will remain open. On May 13, 2025, the NGB IR Director provided a copy of the Chief of the National Guard Bureau Directive-Type Memorandum that establishes policy that requires the NGB IR offices to document all work performed and evidence collected in an automated audit system. The NGB IR Office implemented the policy on April 29, 2025. We will close the recommendation once the NGB IR Director provides a copy of the investigations or legal proceedings working paper template that the auditors should use to help ensure that they comply with GAGAS 8.27.

Finding 2

Auditors at the NGB IR Office Headquarters and One USPFO IR Division Did Not Assess the Risks of Fraud for Two Performance Audits

For 2 of 14 performance audits we reviewed, the auditors did not assess the risk of fraud that was significant in the context of the audit objectives. The NGB IR Office Headquarters conducted one performance audit, and the Maryland USPFO IR Division conducted the other performance audit.

GAGAS 8.71 states that auditors should assess the risk of fraud that is significant in the context of the audit objectives. GAGAS 8.71 further states that auditors should discuss fraud risks with the team, including factors such as individuals' incentives or pressures to commit fraud, the opportunity for fraud to occur, and rationalization or attitudes that could increase the risk of fraud. In addition, GAGAS 8.72 states that assessing the risk of fraud is an ongoing process throughout the audit. GAGAS 8.72 also states that when information comes to the auditors' attention that fraud, significant in the context of the audit objectives, may have occurred, auditors should extend the audit steps and procedures, as necessary, to: (1) determine whether fraud has likely occurred; and (2) if so, determine its effect on the audit findings.

Also, NGB IR Memorandum 23-5 states that NGB IR auditors should obtain an understanding of internal controls and assess fraud risks, as appropriate, that are likely to occur as they relate to the audit objectives to plan the audit and to determine the nature, timing, and extent of tests performed.¹⁸

The auditors did not perform a fraud risk assessment for NGB IR Office Headquarters Report No. 2022-006, “Audit of the Air National Guard Active Guard Reserve Program,” and Maryland USPFO IR Division Report No. 2022-009, “Audit of the Maryland Army National Guard Command, Control, Communications, Computers, and Information Management Services Appendix.”¹⁹

For Report No. 2022-006, the NGB IR Director told us that it was an oversight that the auditors did not conduct a fraud risk assessment. For Report No. 2022-009, the working papers showed that the auditors performed fraud tests during the fieldwork phase to determine whether fraud may have occurred. However, the auditors had no documentation to show that they assessed the risk of fraud and determined why the fraud tests were necessary.

Auditors should assess fraud risk that is likely to occur as it relates to the audit objective because the assessment will help auditors plan the audit and determine the nature, timing, and extent of tests to perform.

This finding did not rise to the level of a deficiency as defined by the CIGIE Guide because we did not identify any evidence in the audit documentation that the auditors identified any fraud significant within the scope of the audit objectives or that could affect the findings and conclusions.

Recommendations, Management Comments, and Our Response

Recommendation 5

We recommend that the National Guard Bureau Internal Review Office Headquarters Director and U.S. Property and Fiscal Officer for the Maryland National Guard develop and implement a tool, such as a fraud risk assessment template, to help ensure that the auditors assess the risk of fraud that is significant in the context of the audit objectives, in accordance with Generally Accepted Government Auditing Standard 8.71.

¹⁸ NGB IR Memorandum 23-5, “National Guard Bureau-Internal Review Policy Memorandum (23-5) Auditor’s Responsibility for Fraud Prevention and Detection,” March 22, 2023.

¹⁹ NGB IR Office Report No. 2022-006, “Audit of the Air National Guard Active Guard Reserve Program,” March 8, 2023; and Maryland USPFO IR Division Report No. 2022-009, “Audit of the Maryland Army National Guard Command, Control Communications, Computers, and Information Management Services Appendix,” October 11, 2023, respectively.

National Guard Bureau Internal Review Director Comments

The NGB IR Director, also responding for the U.S. Property and Fiscal Officer for the Maryland National Guard, agreed and stated that the NGB IR Office has a policy that directs all NGB IR offices to document all work performed and evidence collected in the NGB automated audit system. The system includes a working paper template for auditors to assess the risk of fraud that is significant in the context of the audit objectives, in accordance with GAGAS 8.71.

Our Response

Comments from the NGB IR Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. On May 13, 2025, the NGB IR Director provided a copy of the Chief of the National Guard Bureau Directive-Type Memorandum that establishes policy that requires the NGB IR offices to document all work performed and evidence collected in an automated audit system. The NGB IR Office implemented the policy on April 29, 2025. We will close the recommendation once the NGB IR Director provides a copy of the working paper template for fraud risk assessments that the auditors should use to help ensure that they comply with GAGAS 8.71.

Finding 3

One Supervisor at the NGB IR Office Headquarters Did Not Complete an Independence Statement for Three Performance Audits

For 3 of 14 performance audits we reviewed, one supervisor did not complete an independence statement to certify that they did not have any independence impairments. The NGB IR Office Headquarters conducted the three performance audits, and the same supervisor was assigned to the audits. This finding was identified during the previous peer review of the NGB IR Office.²⁰

GAGAS 3.18 states that in all matters relating to GAGAS engagements, auditors must be independent from an audited entity. Additionally, GAGAS 3.107 states that while insufficient documentation of an auditor's compliance with the independence standard does not impair independence, auditors should prepare documentation under GAGAS quality control and assurance requirements. Further, GAGAS 3.108 states that documentation of independence considerations provides evidence of the auditor's judgments in forming conclusions on compliance with independence requirements.

²⁰ DoD OIG Report No. 2022-062, "External Peer Review of the National Guard Bureau Internal Review Office," February 10, 2022. The DoD OIG reported that the auditors at the Delaware USPFO IR Division did not complete independence statements to certify that they did not have any independence impairments.

In addition, NGB IR Office Memorandum, “Compliance with Generally Accepted Government Auditing Standards, DoD and NGB Policies and Procedures on Independence 2023,” states that in accordance with GAGAS 5.09, at least annually, the audit organization should obtain written affirmation of compliance with its policies and procedures on independence from all personnel required to be independent.²¹

The supervisor did not complete a statement of independence for the following three performance audits:

- Report No. 2022-006, “Audit of the Air National Guard Active Guard Reserve Program,”
- Report No. 2022-007, “Audit of the Air National Guard Telework Program,” and
- Report No. 2023-004, Audit of the Combat Readiness Training Centers.”²²

During our follow-up discussions with the NGB IR Director, the Director stated that it was an oversight that the supervisor did not complete a statement of independence for the three audits.

The NGB IR Office Took Corrective Actions During the Previous Peer Review to Ensure That Auditors Complete an Independence Statement

During the previous peer review of the NGB IR Office, the DoD OIG reported that for 2 of 19 performance audits reviewed, the auditors did not complete an independence statement to certify that they did not have any independence impairments. The DoD OIG did not provide a recommendation for the finding because the supervisor at the affected USPFO IR Division (Delaware) updated the independence policies and procedures during the peer review to require all auditors, including auditors who are also members of the National Guard, to complete an independence statement. The corrective actions taken by the Delaware USPFO IR Division were adequate to address the finding. However, corrective actions applied to the Delaware USPFO IR Division only.

Auditors must adequately document independence considerations because it helps to ensure compliance with GAGAS quality control and assurance requirements.

The current finding did not rise to the level of a deficiency as defined in the CIGIE Guide because we did not identify any evidence in the audit documentation of actual independence issues among the auditors, including the supervisor.

²¹ NGB IR Office Memorandum, “Compliance with Generally Accepted Government Auditing Standards, DoD and NGB Policies and Procedures on Independence 2023,” January 30, 2023.

²² NGB IR Office Report No. 2022-006, “Audit of the Air National Guard Active Guard Reserve Program,” March 8, 2023; NGB IR Office Report No. 2022-007, “Audit of the Air National Guard Telework Program,” February 8, 2023; and NGB IR Office Report No. 2023-004, “Audit of the Combat Readiness Training Centers,” November 16, 2023, respectively.

Recommendations, Management Comments, and Our Response

Recommendation 6

We recommend that the National Guard Bureau Internal Review Director develop and implement a tool, such as an independence tracking checklist, to assist auditors at the Internal Review Headquarters office with ensuring that all supervisors and auditors assigned to an engagement complete a statement of independence before starting the engagement.

National Guard Bureau Internal Review Director Comments

The NGB IR Director agreed and stated that the NGB IR Office has a policy that directs NGB IR offices to document all work performed and evidence collected in the NGB automated audit system. The system includes a working paper template for auditors to use to apply the conceptual framework approach to independence for the audit organization, engagement team, and individual auditor to identify threats to independence and evaluate the significance of the threats identified.

Our Response

Comments from the NGB IR Director partially address the specifics of the recommendation; therefore, the recommendation is unresolved. Specifically, the Director's comments did not describe how the NGB IR Office's existing policies will address the finding. The NGB IR Director's proposed action does not help ensure that an auditor completes a statement of independence before starting an engagement. We request that the NGB IR Director provide additional comments within 30 days of this report describing how they will ensure that all the NGB IR Office Headquarters supervisors and auditors complete a statement of independence before starting the engagement.

Finding 4

Auditors at the NGB IR Office Headquarters Did Not Include the Unmodified GAGAS Compliance Statement in One Performance Audit Report

For 1 of the 14 performance audits we reviewed, the auditors at the NGB IR Office Headquarters did not include the unmodified GAGAS compliance statement in the audit report.

GAGAS 2.17a states that auditors should include an unmodified GAGAS compliance statement in the audit report when they have: (1) followed unconditional and applicable presumptively mandatory GAGAS requirements, or (2) followed unconditional requirements, documented justification for any departures from applicable presumptively mandatory requirements,

and achieved the objectives of those requirements through other means. Additionally, GAGAS 9.03 states that when auditors comply with all applicable GAGAS requirements, they should include an unmodified GAGAS compliance statement in the audit report to indicate that they conducted the audit in accordance with GAGAS. Also, the NGB IR Documentation & Reporting Handbook states that auditors should include either an unmodified or modified GAGAS compliance statement in audit reports.

For Report No. 2022-007, “Audit of the Air National Guard Telework Program,” the auditors stated that they followed unconditional and applicable presumptively mandatory GAGAS requirements when they performed the audit. Therefore, the auditors should have included an unmodified GAGAS compliance statement in the audit report. The NGB IR Office Director informed us that it was an oversight that the auditors did not include the unmodified GAGAS compliance statement in the audit report.

Auditors should include the unmodified GAGAS compliance statement in an audit report when they comply with all applicable GAGAS requirements. The GAGAS compliance statement informs users of the audit report that the auditors planned and performed the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for the auditors’ findings and conclusions based on the audit objectives.

This finding did not rise to the level of a deficiency as defined in the CIGIE Guide because overall, the auditors complied with GAGAS when they performed the audit.

Recommendations, Management Comments, and Our Response

Recommendation 7

We recommend that the National Guard Bureau Internal Review Office Director develop and implement a tool, such as a reporting checklist, that includes a step to verify that each audit report includes the appropriate GAGAS compliance statement in accordance with Generally Accepted Government Auditing Standards 2.17 and 9.03.

National Guard Bureau Internal Review Director Comments

The NGB IR Director agreed and stated that the NGB IR Office has a policy that directs all NGB IR offices to document all work performed and evidence collected in the NGB automated audit system. The system includes a Quality Control Checklist for Performance Audits for the auditor-in-charge to complete to verify that each audit report includes the appropriate GAGAS compliance statement, in accordance with Generally Accepted Government Auditing Standards 2.17 and 9.03.

Our Response

Comments from the NGB IR Director addressed the specifics of the recommendation; therefore, the recommendation is resolved, but will remain open. On May 13, 2025, the NGB IR Director provided a copy of the Chief of the National Guard Bureau Directive-Type Memorandum that establishes policy that requires the NGB IR offices to document all work performed and evidence collected in an automated audit system. The NGB IR Office implemented the policy on April 29, 2025. We will close the recommendation once the NGB IR Director provides a copy of the Quality Control Checklist for Performance Audits that the auditors should complete to verify that each audit report includes the appropriate GAGAS compliance statement, in accordance with Generally Accepted Government Auditing Standards 2.17 and 9.03.

If you have any questions or would like to meet to discuss the review, please contact



We appreciate the cooperation and assistance we received during the peer review.

A handwritten signature in black ink, appearing to read 'R. Stone'.

Randolph R. Stone

Assistant Inspector General for Evaluations
Space, Intelligence, Engineering, and Oversight

Management Comments

National Guard Bureau Internal Review Office



NATIONAL GUARD BUREAU
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MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR EVALUATIONS
SPACE, INTELLIGENCE, ENGINEERING AND
OVERSIGHT

Subject: Comments to the "External Peer Review of the National Guard Internal Review Office" dated 27 March 2025

The National Guard Bureau Internal Review has reviewed the report and provides the following response to the recommendations in the "External Peer Review of the National Guard Internal Review Office" dated 27 March 2025.

Recommendation 1 – We recommend that the U.S. Property and Fiscal Office for the Nevada National Guard issue a memorandum to the auditors assigned to the Internal Review Division emphasizing that when auditors do not comply with Generally Accepted Government Auditing Standards requirements, the auditors should take the following actions in accordance with Generally Accepted Government Auditing Standards 2.19 and 9.05.

- a. Assess the significance of noncompliance on the engagement objectives
- b. Document the assessment, along with the reasons for not following the requirement
- c. Determine which type of Generally Accepted Government Auditing Standards compliance statement to use
- d. Include a modified Generally Accepted Government Auditing Standards compliance statement in the audit report.

Concur. The National Guard Bureau Internal Review Director has written policy in their Directive-Type Memorandum directing the National Guard Internal Review audit organization to document all work performed and evidence collected in the NGB automated audit system. Within the NGB automated audit system, a NGB Quality Control Checklist for Performance Audits that is aligned with the CIGIE checklist will have each auditor Auditor-in-Charge complete the checklist to determine if the Generally Accepted Government Auditing Standards requirements have been met when auditors complete their audit work. The completion of the checklist will ensure NGB auditors are in compliance with all Generally Accepted Government Auditing Standards for Performance Audits.

Recommendation 2 – We recommend that the U.S. Property and Fiscal Office for the Nevada National Guard develop and implement a process for the monitoring and

National Guard Bureau Internal Review Office (cont'd)

documentation quality in their office in accordance with Generally Accepted Government Auditing Standards 5.43 and 5.44.

Concur. The National Guard Bureau Internal Review Director has written policy in the Directive-Type Memorandum that requires audit offices to perform an internal quality control review (QCR) to monitor and document the quality of their office if the National Guard Bureau Internal Review office has not conducted an internal QCR. The policy requires a member of the audit staff to conduct a self-review of their office or have a State IR office perform the review to ensure the monitoring and documentation quality in their office is in accordance with Generally Accepted Government Auditing Standards 5.43 and 5.44. Further, the National Guard Bureau Internal Review Director will require State IR offices to provide a copy of their completed internal QCR reports.

Recommendation 3 – We recommend that the U.S. Property and Fiscal Officer for Nevada National Guard require that auditors assigned to the Internal Review Division obtain training on performing nonaudit services in accordance with the Generally Accepted Auditing Standards.

Concur. The Supervisory Auditor is currently the only staff member within the U.S. Property and Fiscal Office for Nevada Internal Review office. The Supervisory Auditor instructed the National Guard Bureau Internal Review office's Advance Auditor Course in August 2024. The Advanced Auditor course included instruction on nonaudit services. Once the U.S. Property and Fiscal Officer for Nevada Internal Review office hires additional auditors, the Supervisory Auditor will ensure new auditors receive the training to conduct nonaudit services in accordance with Generally Accepted Government Auditing Standards.

Recommendation 4 – We recommend the National Guard Bureau Internal Review Office Director issue a memorandum to the auditors at the National Guard Bureau Internal Review Office Headquarters and the Internal Review divisions of the United States Property and Fiscal Office to emphasize the requirement to inquire of management of the audited entity's management whether any investigations or legal proceedings significant to the audit objectives have been initiated or are in process with respect to the period under audit in accordance with Government Auditing Standard 8.27.

Concur. The National Guard Bureau Internal Review Director has written policy in the Directive-Type Memorandum that requires National Guard Bureau Internal Review offices to document all work performed and evidence collected in the NGB automated audit system. Within the NGB automated audit system, a workpaper template on investigations or legal proceedings significant to the audit objectives is available for each auditor to complete to be in compliance with Generally Accepted Government Auditing Standard 8.27.

Recommendation 5 – We recommend the National Guard Bureau Internal Review Office Headquarters Director and U.S. Property and Fiscal Officer for the Maryland National Guard develop and implement a tool, such as a fraud risk assessment

National Guard Bureau Internal Review Office (cont'd)

template, to help ensure the auditors assess the risk of fraud that is significant in the context of the audit objectives in accordance with Generally Accepted Government Auditing Standard 8.71.

Concur. The National Guard Bureau Internal Review Director has written policy in the Directive-Type Memorandum directing for all National Guard Bureau Internal Review offices to document all work performed and evidence collected in the NGB automated audit system. Within the NGB automated audit system, a workpaper template is available for auditors to assess the risk of fraud that is significant in the context of the audit objectives in accordance with Generally Accepted Government Auditing Standard 8.71.

Recommendation 6 – We recommend that the National Guard Bureau Internal Review Director develop and implement a tool, such as an independence tracking checklist, to assist auditors at the Internal Review Headquarters office with ensuring that all supervisors and auditors.

Concur. The National Guard Bureau Internal Review Director has written policy in their Directive-Type Memorandum directing to document all work performed and evidence collected in the NGB automated audit system. Within the NGB automated audit system, a workpaper template is available for auditors to apply the conceptional framework approach to independence at the audit organization, engagement team, and individual auditor levels to identify threats to independence and evaluate the significance of the threats identified.

Recommendation 7 – We recommend that the National Guard Bureau Internal Review Office Director develop and implement a tool, such as a reporting checklist, that includes a step to verify that each audit report includes the appropriate GAGAS compliance to verify that each audit report includes the appropriate GAGAS compliance statement in accordance with Government Auditing Standard 2.17 and 9.03

Concur. The National Guard Bureau Director Internal Review Director has written policy in their Directive-Type Memorandum directing to document all work performed and evidence collected in the NGB automated audit system. Within the NGB automated audit system, a NGB Quality Control Checklist for Performance Audits is aligned with the CIGIE checklist that will have each Auditor-in-Charge complete the checklist to verify that each audit report includes the appropriate GAGAS compliance statement in accordance with Government Auditing Standard 2.17 and 9.03

We appreciate the professionalism of the Department of Defense Office of Inspector General review team and their review of the National Guard Bureau Internal Review Office.

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LEROY T. MASON
Director, Internal Review
National Guard Bureau

Acronyms and Abbreviations

CIGIE	Council of the Inspectors General on Integrity and Efficiency
CPE	Continuing Professional Education
GAGAS	Generally Accepted Government Auditing Standards
IR	Internal Review
NGB	National Guard Bureau
OPM	Office of Personnel Management
USPFO	United States Property and Fiscal Office

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