



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

WASHINGTON, DC 20201



September 25, 2024

Report Number: A-07-24-01216

The Honorable Robert P. Storch
Inspector General
Department of Defense
4800 Mark Center Drive
Alexandria, VA 22350

Dear Inspector General Storch:

Enclosed is the Department of Health and Human Services, Office of Inspector General final *System Review Report: External Quality Control Review of the Audit Organization of the U.S. Department of Defense, Office of Inspector General*. We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency guidelines and discussed the review with your staff on August 29, 2024. Your response to the draft report is included as Appendix B.

If you have any questions or comments about this report, please do not hesitate to call me. Otherwise, your staff may contact Amy J. Frontz, Deputy Inspector General for Audit Services, at [REDACTED]

Sincerely,

**CHRISTI
GRIMM**  Digitally signed by
CHRISTI GRIMM
Date: 2024.09.25
14:56:37 -04'00'

Christi A. Grimm
Inspector General

Enclosure

**SYSTEM REVIEW REPORT: EXTERNAL QUALITY CONTROL REVIEW
OF THE AUDIT ORGANIZATION OF THE
U.S. DEPARTMENT OF DEFENSE,
OFFICE OF INSPECTOR GENERAL**

We have reviewed the system of quality control for the audit organization of the U.S. Department of Defense (DoD), Office of Inspector General (OIG) in effect for the year ended March 31, 2024. A system of quality control encompasses DoD OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards* and applicable legal and regulatory requirements. The elements of quality control are described in *Government Auditing Standards*.

In our opinion, the system of quality control for the audit organization of DoD OIG in effect for the year ended March 31, 2024, has been suitably designed and complied with to provide DoD OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *Pass*, *Pass With Deficiencies*, or *Fail*. DoD OIG has received a peer-review rating of *Pass*.

Monitoring of GAGAS Engagements Performed by Independent Public Accountants

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to DoD OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS engagements performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether DoD OIG had controls to ensure that IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on DoD OIG's monitoring of work performed by IPAs.

Basis of Opinion

Our review was conducted in accordance with *Government Auditing Standards* and the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.

During our review, we interviewed DoD OIG personnel and obtained an understanding of the nature of the DoD OIG audit organization and the design of DoD OIG's system of quality control

sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with DoD OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of DoD OIG's audit organization, with an emphasis on higher risk engagements.

In performing our review, we obtained an understanding of the system of quality control for the DoD OIG audit organization. In addition, we tested compliance with DoD OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of DoD OIG's policies and procedures on selected GAGAS engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with DoD OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

Responsibilities and Limitation

DoD OIG is responsible for establishing and maintaining a system of quality control designed to provide DoD OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and DoD OIG's compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

Appendix A identifies the audits that we reviewed, as well as our scope and methodology. We issued our draft System Review Report to DoD OIG on September 5, 2024. DoD OIG's comments acknowledging our assignment of a peer review rating of *Pass* to its system of quality control appear in their entirety as Appendix B.

APPENDIX A: SCOPE AND METHODOLOGY

We tested compliance with the DoD OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 7 of 37 engagement reports conducted in accordance with GAGAS issued from April 1, 2023, through March 31, 2024. We also reviewed a terminated GAGAS engagement and two reports included in an internal quality control review performed by DoD OIG.

In addition, we reviewed DoD OIG's monitoring of two GAGAS engagements performed by an IPA where the IPA served as the auditor from April 1, 2023, through March 31, 2024. During the period, DoD OIG contracted for GAGAS engagements that were performed in accordance with *Government Auditing Standards*.

We interviewed staff members to determine whether DoD OIG's quality control and assurance policies and procedures were effectively communicated to staff. We also reviewed the training records of selected employees to determine whether they had obtained the required continuing professional education credits and whether they collectively possessed the knowledge and skills needed to conduct audits.

REVIEWED GAGAS ENGAGEMENTS PERFORMED BY THE U.S. DEPARTMENT OF DEFENSE, OFFICE OF INSPECTOR GENERAL

1. *Independent Auditor's Report on DoD OIG Assistance with OPM's Agreed-Upon Procedures for Reviewing the FY 2023 Civilian Payroll Withholding Data and Enrollment Information*, Report No. DODIG-2023-126, September 29, 2023.
2. *Audit of the DoD's Financial Management of the Afghanistan Security Forces Fund*, Report No. DODIG-2023-082, June 9, 2023.
3. *Audit of the DoD's Implementation and Oversight of the Controlled Unclassified Information Program*, Report No. DODIG-2023-078, June 1, 2023.
4. *Audit of Defense Health Agency Controls to Monitor Opioid Prescription Compliance with Federal and DoD Opioid Safety Standards*, Report No. DODIG-2024-036, December 7, 2023.
5. *(U) Audit of the Navy's Management of the MQ-25 Stingray Program*, Report No. DODIG-2024-026, November 16, 2023.
6. *(U) Audit of DoD Training of Ukrainian Armed Forces*, Report No. DODIG-2023-086, June 13, 2023.
7. *Audit of the Military Service Recruiting Organizations' Efforts to Screen Applicants for Extremist and Criminal Gang Behavior*, Report No. DODIG-2023-103, August 3, 2023.

**REVIEWED GAGAS ENGAGEMENT TERMINATED BY THE U.S. DEPARTMENT OF DEFENSE,
OFFICE OF INSPECTOR GENERAL**

Termination of the Audit of Explosives Safety and Munitions Risk Management in Support of Ukraine Operations, Project No. D2023-D000RH-0055.000, June 13, 2023.

REVIEWED INTERNAL QUALITY CONTROL REVIEWS PERFORMED BY THE U.S. DEPARTMENT OF DEFENSE, OFFICE OF INSPECTOR GENERAL

1. *Quick-Look Review of Audit Project No. D2021-D000CU-0143.000, "Audit of Defense Digital Service Support of Programs and Operations," September 15, 2023.*
2. *Quality Assurance Review of Audit Project No. D2021-D000AV-0121.000, "Audit of the DoD Certification Process for CARES Act Section 4003 Loans Provided to Companies Designated as Critical to Maintaining National Security," March 6, 2024.*

REVIEWED MONITORING FILES OF THE U.S. DEPARTMENT OF DEFENSE, OFFICE OF INSPECTOR GENERAL FOR CONTRACTED GAGAS ENGAGEMENTS

1. *Transmittal of the Independent Auditor's Reports on the U.S. Navy General Fund Financial Statements and Related Notes for FY 2023 and FY 2022, Report No. DODIG-2024-023, November 8, 2023.*
2. *Transmittal of the Independent Auditor's Report on the Defense Automatic Addressing System for the Period October 1, 2022, Through June 30, 2023, Report No. DODIG-2023-110, August 14, 2023.*



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

September 18, 2024

The Honorable Christi Grimm
Inspector General
United States Department of Health and Human Services
330 Independence Avenue, SW
Wilbur J Cohen Building - Room 5250
Washington, DC 20201

Dear Inspector General Grimm:

Thank you for the draft report on the quality control system for the Audit component here at the Department of Defense Office of Inspector General. I am pleased with your team's conclusion that we designed and complied with our quality control system to provide reasonable assurance of performing and reporting audit work in conformity with applicable professional standards and legal and regulatory requirements in all material respects. Accordingly, we have no comments on the draft report.

We appreciate the professionalism of the peer review team and their in-depth review, consistent with the shared goal of improving operations across the oversight community.

If you have any questions, please contact me, or have your staff contact Mr. Brett Mansfield, Deputy Inspector General for Audit, at [REDACTED]

Very truly yours,

A handwritten signature in blue ink, appearing to read "Robert P. Storch".

Robert P. Storch
Inspector General