

NATIONAL SCIENCE FOUNDATION  
4201 Wilson Boulevard  
ARLINGTON, VIRGINIA 22230



OFFICE OF  
INSPECTOR GENERAL

March 26, 2012

Mr. Steven J Trent, Acting Inspector General  
Special Inspector General for Afghanistan Reconstruction  
2530 Crystal Drive  
Arlington, Virginia 22202

Subject: System Review Report on the Special Inspector General  
For Afghanistan Reconstruction's Audit Organization

Dear Mr. Trent:

We have completed the external peer review of the Special Inspector General for Afghanistan Reconstruction's (SIGAR) audit organization, conducted in accordance with the *Government Auditing Standards* and Council of the Inspectors General on Integrity and Efficiency guidelines. SIGAR has received a peer review rating of *pass*. As is customary, we have issued a Letter of Comment dated March 26, 2012, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

We thank you and your staff for your assistance and cooperation during the conduct of the review.

Enclosure

Sincerely,

Allison C. Lerner  
Inspector General

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ARLINGTON, VIRGINIA 22230



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INSPECTOR GENERAL

**System Review Report  
Special Inspector General for Afghanistan Reconstruction  
For the Year Ending September 30, 2011**

March 26, 2012

Mr. Steven J Trent, Acting Inspector General  
Special Inspector General for Afghanistan Reconstruction

We have reviewed the system of quality control for the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) in effect for the year ended September 30, 2011. A system of quality control encompasses SIGAR's organizational structure and the policies adopted and procedures established to provide it reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards* issued by the Comptroller General of the United States.

SIGAR is responsible for designing a system of quality control and complying with the controls to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. SIGAR's system of quality control consists of its audit organization, headed by the Assistant Inspector General for Audit, and its policies and procedures articulated in its *Audit Policy and Procedures Manual* and carried out by an audit staff of 49 employees working both in the United States and Afghanistan.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed SIGAR personnel in its offices located in Arlington, Virginia and Kabul, Afghanistan, to obtain an understanding of both the nature of the audit organization and the design of SIGAR's system of quality control to assess the risks implicit in its audit function. Specific emphasis was directed at assessing SIGAR actions taken to address audit deficiencies identified in a July 14, 2010, report of its system of quality control.

We selected audit engagements and administrative files to test for conformity with professional standards and compliance with the organization's system of quality control. As a result of the prior July 2010 System Review Report, SIGAR updated its *Audit Policies and Procedures Manual* on October 1, 2010. As such, we reviewed a sample of four of the seven engagements<sup>1</sup>

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<sup>1</sup> The seven engagements all had audit plans approved by management after the October 1, 2010, APPM update, thus the audit work was considered to be substantially completed after the October 1st date.

where the audit work was substantially conducted after this date. 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. Prior to concluding the review, we met with SIGAR management on February 8, 2012, to discuss the results of our review. Enclosure 1 to this report identifies the audits reviewed.

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

Our responsibility is to express an opinion on the design of the system of quality control and SIGAR's compliance with those controls based on our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In our opinion, the system of quality control for SIGAR's audit organization in effect for the year ended September 30, 2011, was suitably designed. SIGAR has made significant improvements to address the deficiencies delineated in the July 2010 System Review Report of its audit operations. While the audit organization still faces challenges, SIGAR has sufficiently complied with its system of quality control and has reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. SIGAR has received a peer review rating of *pass*.<sup>2</sup>

As is customary, we have issued a Letter of Comment, dated March 26, 2012, which sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report. The Letter of Comment includes the discussion of the challenges that SIGAR still faces to ensure that the improvements achieved in its system of quality control since the prior peer review are continued and sustained.



Allison C. Lerner, Inspector General  
National Science Foundation

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<sup>2</sup> Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*.

## SCOPE AND METHODOLOGY (Enclosure 1)

We tested compliance with the SIGAR audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 4 of the 17 fiscal year audit reports issued during the period from October 1, 2010, to September 30, 2011. The four engagements were selected from the seven audits where the work was substantially performed after the October 1, 2010, APPM updates.

The CIGIE *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, dated March 2009, was used in conducting our review. We performed our review work from November 2011 to January 2012 in SIGAR's office in Arlington, Virginia, and interviewed staff by telephone located in its Kabul, Afghanistan office.

### Reviewed SIGAR Audit Reports

<b>Report Number</b>	<b>Date Issued</b>	<b>Title</b>
Audit 11-11	June 29, 2011	USAID's Kabul Community Development Program Largely Met the Agreement's Terms, But Progress Toward Long-Term Goals Needs to be Better Tracked
Audit 11-14	July 22, 2011	The World Bank and the Afghan Government Have Established Mechanisms to Monitor and Account for Funds Contributed to the Afghanistan Reconstruction Trust Fund, but Limitations and Challenges Should Be Addressed
Audit 11-15	July 28, 2011	Weaknesses in the USACE Defense Base Act Insurance Program Led to as Much as \$58.5 Million in Refunds Not Returned to the U.S. Government and Other Problems
Audit 11-17	September 8, 2011	The U.S. Civilian Uplift in Afghanistan Has Cost Nearly \$2 Billion, and State Should Continue to Strengthen its Management and Oversight of the Funds Transferred to Other Agencies