



NASA OFFICE OF INSPECTOR GENERAL

**OFFICE OF AUDITS
SUITE 8U71, 300 E ST SW
WASHINGTON, D.C. 20546-0001**

March 30, 2016

The Honorable John F. Sopko
Inspector General
Special Inspector General
for Afghanistan Reconstruction
2530 Crystal Drive
Arlington VA, 22202

Dear Inspector General Sopko,

We reviewed the system of quality control for the audit organization of the Special Inspector General for Afghanistan Reconstruction (SIGAR) in effect for the period October 1, 2014, through September 30, 2015. This system encompasses SIGAR's organizational structure, along with the policies and procedures established to provide the organization with reasonable assurance of conforming with the elements of quality control described in the General Accountability Office's *Government Auditing Standards, December 2011 Revision* (GAGAS). SIGAR is responsible for establishing and maintaining a quality control system that provides reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of that quality control system and SIGAR's compliance therewith based on our review.

We conducted our review in accordance with GAGAS and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. We interviewed SIGAR personnel, obtained an understanding of the nature of its audit organization, and determined if the controls in place were sufficient to assess the risks implicit in SIGAR's audit function. Based on our assessment, we reviewed documentation from select audits and administrative files to test for conformity with professional standards and compliance with SIGAR's system of quality control (see Enclosure 1 for a list of the audits we reviewed). The audits selected represent a cross-section of the SIGAR audit organization, with emphasis on high-risk audits conducted under GAGAS parameters.

In performing our review, we tested compliance with SIGAR's quality control policies and procedures to the extent we considered appropriate. Near the conclusion of our review, we met with SIGAR management to discuss the scope and results of our review. While we believe the procedures we performed provide a reasonable basis for our opinion, because our review was based on selected audits, we may not have detected all weaknesses in SIGAR's system of quality control or all instances of noncompliance. There are inherent limitations in the effectiveness of any quality control system and, therefore, noncompliance may occur and not be detected. Projection of the adequacy of a control system to any future period is subjective due to changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

That said, in our opinion, SIGAR's system of quality control in effect for the period October 1, 2014, through September 30, 2015, has been suitably designed and complied with to provide reasonable assurance that the audit organization's performance and reporting was in accordance with professional standards in all material respects. As a result of an external peer review, audit organizations can receive a rating of pass, pass with deficiencies, or fail. Our review determined SIGAR should receive a rating of pass.

As is customary, in a letter dated February 25, 2016, we communicated additional findings that require attention by SIGAR managers but were not considered of sufficient significance to affect the opinion expressed in this report.

In addition to reviewing its system of quality control to ensure adherence with GAGAS, we applied certain limited procedures in accordance with CIGIE guidance relating to SIGAR's monitoring of audits performed under contract with Independent Public Accountants (IPA). Our objective was to determine whether SIGAR had controls in place to ensure IPAs performed contracted work in accordance with professional standards, but not to express an opinion on the sufficiency of the monitoring efforts. We identified no matters pertaining to SIGAR's monitoring of IPAs.

We appreciate the cooperation and courtesies extended to our review team. Please direct any questions to Laurence Hawkins, Audit Operations and Quality Assurance Director, Office of Audits, at 202-358-1543 or laurence.b.hawkins@nasa.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "PKMJA".

Paul K. Martin
Inspector General

Enclosure – 1

Enclosure I: Scope and Methodology

During the review period SIGAR published 120 products (see Table 1). As directed by CIGIE guidance, our review and conclusions were limited to the universe of products issued in accordance GAGAS, which in this case included 10 audit reports and 26 financial audits.

Table 1: SIGAR Products Issued during Review Period

Product Type	Number of Products
Alert letters	4
Audit reports (GAGAS)	10
Financial audits (IPA)	26
Inspections	9
Press releases	23
Quarterly reports	5
Special projects	35
Speeches and testimony	8
Total products	120

Source: SIGAR's website <https://www.sigar.mil/audits/index.aspx?SSR=2>, last accessed March 30, 2016.

We tested compliance with the SIGAR audit organization's system of quality control in part by reviewing 3 of 10 audit reports issued during the period. We also reviewed the internal quality control reviews performed by SIGAR and SIGAR's monitoring of audits performed by IPA firms where the IPA served as the auditor during the review period. Since SIGAR did not contract with an IPA firm to perform a financial statement audit during fiscal year 2015, we reviewed SIGAR's monitoring procedures for 3 of the 26 financial audits performed by an IPA firm during the review period in accordance with GAGAS. See Table 2 for a list of the reports we reviewed.

Table 2: SIGAR Products Reviewed

Report Number	Date	Title
Performance Audits		
15-26-AR	January 7, 2015	<i>Afghan National Police: More Than \$300 Million in Annual, U.S.-funded Salary Payments is Based on Unverified and Unreconciled Data</i>
15-29-AR	January 15, 2015	<i>Department of Defense: More than 75 Percent of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented</i>
15-68-AR ^a	July 6, 2015	<i>Rule of Law in Afghanistan: U.S. Agencies Lack a Strategy and Cannot Fully Determine the Effectiveness of Programs Costing More than \$1 Billion</i>
Financial Audits		
15-43-FA ^a	April 21, 2015	<i>Department of the Army's Legacy East Project: Jorge Scientific Corporation's Lack of Supporting Documentation Results in about \$135 Million in Questionable Project Costs</i>
15-73-FA	July 14, 2015	<i>USAID's Southern Regional Agricultural Development Program: Audit of Costs Incurred by International Relief and Development, Inc.</i>
15-20-FA	November 18, 2014	<i>USAID's Afghan Clean Energy Program: Audit of Costs Incurred by International Resource Group</i>

Source: SIGAR.

^a SIGAR performed Internal Quality Control Reviews of these reports.

We conducted an on-site review at SIGAR's office in Arlington, Virginia. We also provided questionnaires to staff located in SIGAR's offices in Arlington and Kabul, Afghanistan.