



Letter of Comment Report

August 11, 2022

The Honorable John F. Sopko
Inspector General
Special Inspector General for Afghanistan Reconstruction
1550 Crystal Drive, Suite 900
Arlington, VA 22202

We have reviewed the system of quality control for the Special Inspector General for Afghanistan Reconstruction (SIGAR) in effect for the year September 30, 2021, and have issued our report thereon dated August 11, 2022, in which the SIGAR received a rating of *pass*. That report should be read in conjunction with the comments in this letter, which were considered in determining our opinion. The findings described below were not considered to be of sufficient significance to affect the opinion expressed in that report.

Finding 1. Training Documentation

The *Generally Accepted Government Auditing Standards*¹ (GAGAS) outlines responsibilities and requirements for ensuring organizations and auditors maintain records of Continuing Professional Education (CPE) hours completed along with supporting documentation (that is, certificates, copies of course materials, copy of published materials) and written statements supporting the number of CPE hours claimed. The GAGAS paragraph 4.51 notes that CPE records should include, among other things, the dates the staff members attended and the number of CPE hours they earned.

The SIGAR's Quality Control maintains an official record of each auditor's CPE requirements and the credits earned annually. The *SIGAR Audit Policy and Procedures Manual* (SIGAR Manual) states that it is the responsibility of each auditor to maintain his/her professional competence and to ensure CPE hours are recorded accurately and in a timely manner. The SIGAR's Self-Certified Training Form directs staff to attach the agenda or other materials that describe the training received when a training certificate is not obtained.

Although our review found that SIGAR auditors met the GAGAS CPE requirements that

¹ Government Accountability Office, *Government Auditing Standards*, GAO-21-368G, April 2021.

contribute to auditors' competence,² we found two repeat areas from the SIGAR's prior peer review where CPE documentation could continue to be improved to conform to the GAGAS. We found that some training certificates did not denote CPE hours, and the records did not include additional documentation (agenda or course outline) to support the recorded CPE credit hours earned. Also, in some cases, staff did not fully complete the SIGAR's Self-Certified Training Form properly or attach the agenda or other materials that described the training received consistent with the instructions provided. Improving documentation will help the SIGAR ensure and demonstrate staff's compliance with the GAGAS CPE requirements.³

In addition, the GAGAS paragraph 4.40 states that auditors may not receive CPE hours for either preparation or presentation time for repeated presentations that they make within the 2-year period unless the subject matter involved was changed significantly for each presentation. We found an instance where an instructor received CPE hours for preparing and presenting the internal auditor orientation, which was not significantly changed, in both years of the 2-year CPE reporting period. However, SIGAR asserted that it was the individual's professional judgment that both courses were significantly different in content, scope, depth, and time, therefore CPEs were recorded in the 2-year CPE reporting period.

Lastly, government-related CPE hours are earned for subject matter directly related to the government environment, government auditing, or the specific or unique environment in which the audited entity operates. While CPE classification is ultimately the audit organization's responsibility, the GAGAS paragraph 4.23 gives detailed guidance on the types of training that would qualify as government-related. We observed government-related CPE hours were recorded for various business courses (e.g., contracting, writing, ethics, and accounting) available to the general public. Therefore, we concluded that the SIGAR Manual did not clearly define the types of courses the SIGAR has determined to qualify for government-related CPE. Without a clear definition of government-related CPE, the audit organization is at risk that auditors may not meet the GAGAS requirement for 24-hours of government-related CPE.

Recommendations

We recommend that the SIGAR:

- (1) Update the SIGAR Manual to describe expectations and requirements for maintaining government and non-government CPE records and supporting documentation consistent with the April 2021 version of the GAGAS.

² GAGAS require auditors to obtain a total of 80 CPE hours for the 2-year reporting period, with a minimum of at least 20 hours in each year of the 2-year period and a total of at least 24 government-related CPE hours for the entire 2-year period.

³ During the period under review, SIGAR informed us that they used a paper-based records system from its inception until the pandemic changed the work environment from office to home based in March 2020. As a result, SIGAR is continuing to address the proposed corrective actions identified in this Letter of Comment. SIGAR management stated that they are in the process of transferring training records to a fully electronic based system.

- (2) Require Quality Control staff to verify that audit staff provided documentation supporting the number of government and non-government CPE hours earned.

Views of Responsible Official. See SIGAR Comments on NRC OIG Peer Review.

Finding 2. Audit Documentation

Audit documentation is an essential element of audit quality. The process of preparing and reviewing audit documentation contributes to the quality of an audit. Audit documentation serves to (1) provide the principal support for the audit report; (2) aid auditors in conducting and supervising the audit; and, (3) allow for the review of audit quality.

Inquiry of Auditee Management on Investigations and Legal Proceedings. The GAGAS paragraph 8.27 states that auditors should (1) 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, and (2) evaluate the effect of initiated or in-process investigations or legal proceedings on the current audit. The SIGAR Manual reiterates that these actions should be taken as part of the entrance conference process.

However, for the two performance audits we reviewed, the auditors did not document the result of their inquiry of management of the audited entity regarding whether any investigations or legal proceedings were significant to the audit objectives. 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.

Professional Competence. The GAGAS paragraph 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 the GAGAS.

According to the SIGAR Manual, in assigning staff to conduct an audit, the SIGAR's Audits and Inspections Directorate assesses individual skills and matches those necessary to fulfill a particular audit mandate or the scope of the audit to be performed. The SIGAR requires that, collectively, staff assigned to perform the work possess adequate professional competence for the tasks required. The SIGAR has a process for recruiting, hiring, assigning, and evaluating staff and fostering professional development to maintain a competent workforce.

Two performance audits reviewed did not contain documentation of the professional competencies for assigned auditors. Subsequently, SIGAR provided resumes, that helped the peer review team to affirm auditor competency. However, SIGAR does not maintain descriptions of each staff member's competencies that can clearly demonstrate compliance with the GAGAS requirements stipulated in paragraph 4.02.

Audit Job Staffing and Roles Document. The SIGAR Manual states that quality control review includes completing Quality Control Form A-2.1, which provides a list of all staff and their roles in conducting the performance of the audit. This includes not only audit team members, but also specialists, senior management staff, quality control/assurance personnel, experts, and stakeholders.

However, in one of the audits we reviewed, the specialist who contributed to the audit was not listed in the Form A-2.1. Even though the form was not properly completed, we were able to find that the nature and scope of the work performed by the specialist and their independence was appropriately documented.

Adherence to the SIGAR's internal policies and procedures can provide the SIGAR reasonable assurance that it is performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects. The SIGAR Management has been informed of this oversight and will reiterate to the audit staff the importance to fully conform to the SIGAR's internal policies. We are not making any recommendations related to this finding.

Recommendations

We recommend that the SIGAR:

- (3) Reiterate to the audit staff that inquiries of auditee management of work related to legal proceedings or investigative work should be documented as required in the SIGAR Manual and the GAGAS.
- (4) Update the SIGAR Manual to include the process for documenting auditors' professional competency.

Views of Responsible Official. See SIGAR Comments on NRC OIG Peer Review.

Sincerely,

Robert J. Feitel Digitally signed by Robert J. Feitel
Date: 2022.08.11 09:48:54 -0400

The Honorable Robert J. Feitel
Inspector General
U.S. Nuclear Regulatory Commission and Defense Nuclear Facilities Safety Board



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

July 21, 2022

The Honorable Robert J. Feitel
Inspector General
U.S. Nuclear Regulatory Commission and
Defense Nuclear Facilities Safety Board

Dear Mr. Feitel:

We have reviewed the draft report on the results of your quality control review of SIGAR's audit organization. We concur with your conclusion that our system of quality control is suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material aspects. However, we do not fully agree with all of the Nuclear Regulatory Commission (NRC) Office of the Inspector General's (OIG) findings in its letter of comment. We maintain that some of the findings identified by NRC OIG are within SIGAR's authority under generally accepted government auditing standards (GAGAS) to employ professional judgment when designing and implementing a system of a quality control. While we disagree on the points described below, we do concur with the four recommendations made to improve our quality control processes, and we have taken action or plan to take action in response to each recommendation.

Findings

Finding 1. Training Documentation – NRC OIG found that SIGAR auditors met the GAGAS continuing professional education (CPE) requirements that contribute to auditors' competence. However, NRC OIG stated that it identified "an instance where an instructor received CPE hours for preparing and presenting the internal auditor orientation, which was not significantly changed, in both years of the 2 year CPE reporting period." SIGAR maintains that the CPEs were awarded appropriately and based on substantive changes to the presentation. Most importantly, SIGAR has authority under GAGAS 4.21 to use its professional judgment to determine what subjects are appropriate for individual auditors to satisfy the CPE requirements, and under GAGAS 4.40 to award instructors CPE hours for preparation and presentation time to the extent the subject matter contributes to auditors' competence. In any case, even without the CPEs in question, the individual met CPE requirements for the year; the CPEs in question had no material effect on the principal finding that all staff met GAGAS CPE requirements.

Finding 2. Audit Documentation: 'Inquiry of Auditee Management on Investigations and Legal Proceedings' – SIGAR takes seriously its responsibility to avoid interference with investigations or legal proceedings. As demonstrated to NRC OIG through audit documentation provided, SIGAR audit teams take a multi-step approach to avoid such interference. SIGAR coordinates all audits with SIGAR Investigations. SIGAR Investigations has access to databases detailing ongoing and completed investigations, including those for which they are partnering with the agency under audit or other external law enforcement agencies. SIGAR audit teams also request agencies ensure all relevant staff are present at Entrance Conferences and hold robust, documented conversations to ensure avoiding any interference with ongoing investigations or legal proceedings. Nevertheless, SIGAR understands that there are opportunities to improve documentation related to these efforts.

Finding 2. Audit Documentation: 'Professional Competence' – SIGAR maintains that there are no criteria with which SIGAR did not comply with GAGAS, and there was no adverse effect associated with the finding; therefore, this should not be considered a finding with an associated Recommendation. GAGAS 4.02–4.03 require that audit organizations 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. GAGAS 4.04 provides audit agencies with flexibilities in how to do this and recognizes that the nature, extent, and formality of the process will depend on various factors, such as the size, structure, and work of the audit organization. SIGAR's process for determining auditor competence relies on a thorough and rigorous hiring process, ongoing on-the-job training, formal and informal performance feedback, and completion of relevant and sufficient annual professional education. SIGAR hires competent individuals and management officials use experience and professional judgment to assign staff to engagements. In addition, SIGAR conducts ongoing informal assessments, mid-point performance feedback sessions, and annual performance assessments with staff. SIGAR also ensures that staff maintain competence through CPEs. Per our discussion with the Government Accountability Office on this matter, “audit organizations with an established system of quality control designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements should use professional judgment in determining the nature, extent, and formality of the process used to assign personnel to each engagement.” SIGAR fully utilizes its professional judgment in hiring, staffing, and assessing audit staff to ensure that competent auditors and others are staffed to each engagement.

Finding 2. Audit Documentation: 'Audit Job Staffing and Roles Document' – SIGAR management is committed to ensuring all quality control forms are complete and accurate. SIGAR Audit & Inspection and Quality Control staff undertake a multi-layer review process during and after audit completion to ensure forms are completed accurately. Nevertheless, NRC OIG identified an isolated instance wherein one internal stakeholder was not listed on a single form. NRC OIG noted that despite this instance, it was “...able to find that the nature and scope of the work performed by the specialist and their independence was appropriately documented.” SIGAR audit management will reiterate to the audit staff the importance to fully conform to the SIGAR's internal policies.

Recommendations

Recommendation 1: Update the SIGAR Manual to describe expectations and requirements for maintaining government and non-government CPE records and supporting documentation consistent with the April 2021 version of the GAGAS.

SIGAR Response: Concur. As NRC OIG noted in its letter of comment, SIGAR is in the process of transferring its training records to a fully electronic system. As discussed with NRC OIG and as evidenced with supporting documentation, SIGAR has also taken steps to enhance its existing system of review and approval for all CPE credits and training hours before they are recorded in an auditor's official CPE record.

Recommendation 2: Update the SIGAR Manual to provide a clear definition of what it defines as “government” versus “non-government” CPE, and ensure that audit staff provide documentation supporting the number of government and non-government CPE hours earned.

SIGAR Response: Concur. GAGAS 4.23 provides detailed guidance on the types of training that qualify for government-related CPEs. SIGAR will update its Audit Policies and Procedures Manual (APPM) to include a description of the what is defined as a “government” versus “non-government” CPE in accordance with GAGAS. However, in our experience, training materials often do not provide sufficient information that would enable individual audit staff to determine whether the CPEs earned were governmental, and the distinction between government versus

non-government CPEs earned may be unclear. SIGAR will continue to employ its professional judgment when classifying CPE hours.

Recommendation 3: Reiterate to the audit staff that inquiries of auditee management of work related to legal proceedings or investigative work should be documented as required in the SIGAR Manual and the GAGAS.

SIGAR Response: Concur. SIGAR will update its APPM to include requirements that audit staff specifically document inquiries of auditee management of work related to legal proceedings or investigative work in the quality control file.

Recommendation 4: Update the SIGAR Manual to include the process for documenting auditors' professional competency.

SIGAR Response: Concur. SIGAR will update its APPM to include a discussion of how it assesses and documents auditors' professional competency.

I would like to take this opportunity to thank your staff for its professionalism during the course of this peer review. We appreciated their diligent efforts to analyze our system of quality control and offer constructive improvements.

Sincerely,

A handwritten signature in black ink, appearing to read 'John F. Sopko', with a long, sweeping horizontal stroke extending to the right.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction