



## System Review Report

April 29, 2019

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

Dear Mr. 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 year ended September 30, 2018. A system of quality control encompasses SIGAR's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with the *Government Auditing Standards*. SIGAR is responsible for establishing and maintaining a system of quality control that is designed to provide SIGAR with 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 the system of quality control and SIGAR's compliance therewith based on the review.

Our review was conducted in accordance with *Government Auditing Standards* 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*. During our review, we interviewed SIGAR's personnel and obtained a sufficient understanding of the SIGAR audit organization, and the design of its system of quality control, to assess the risks implicit in its audit function. Based on our assessment, we selected audits and administrative files to test for conformity with professional standards and compliance with SIGAR's system of quality control. The audits selected provided a reasonable cross-section of SIGAR's audit organization, with emphasis on higher-risk audits. Prior to concluding the peer review, we met with SIGAR management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the SIGAR audit organization. In addition, we tested compliance with SIGAR's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of SIGAR's policies and procedures on selected audits. 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.

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.

The Enclosure to this report identifies SIGAR offices that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of SIGAR in effect for the year ended September 30, 2018, has been suitably designed and complied with to provide SIGAR with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. SIGAR has received an External Peer Review rating of *pass*.

As is customary, we have issued a letter dated April 29, 2019 that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

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 CIGIE related to SIGAR's monitoring of audits performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of audits 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 SIGAR had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and, accordingly, we do not express an opinion, on SIGAR's monitoring of work performed by IPAs.



Jay N. Lerner  
Inspector General

Enclosure

## Scope and Methodology

We tested compliance with the SIGAR audit organization's system of quality control to the extent we considered appropriate. These tests included reviewing three of eight audit reports issued during the period October 1, 2017 through September 30, 2018. In addition, we reviewed SIGAR's monitoring of audits performed by IPAs, where a contractor (IPA) served as the auditor during the period October 1, 2017 through September 30, 2018. Specifically, we reviewed 3 of 26 financial audits performed by contractors. The tables below identify the audit reports reviewed.

We visited SIGAR offices located in Arlington, Virginia.

**Table 1: Reviewed Audits Performed by SIGAR**

| Report Number | Report Date | Report Title   |
|---------------|-------------|--|
| 18-19-AR      | 01/04/2018  | <i>DOD Task Force for Business and Stability Operations: \$675 Million in Spending Led to Mixed Results, Waste, and Unsustained Projects</i>   |
| 18-42-AR      | 04/19/2018  | <i>Afghanistan Reconstruction Trust Fund: The World Bank Needs to Improve How it Monitors Implementation, Shares Information, and Determines the Impact of Donor Contributions</i>   |
| 18-45-AR      | 04/30/2018  | <i>Commander's Emergency Response Program: DOD Has Not Determined the Full Extent to Which Its Program and Projects Totaling \$1.5 Billion in Obligations, Achieved Their Objectives and Goals in Afghanistan from Fiscal Years 2009 through 2013.</i> |

**Table 2: Reviewed Monitoring Files of SIGAR for Contracted Audits**

| Report Number | Report Date                          | Report Title   |
|---------------|--------------------------------------|--|
| 17-55-FA      | 07/18/2017<br>08/14/18<br>(reissued) | <i>USAID's Installation of Turbine Generator Unit 2 at Kajaki Dam Hydropower Plant: Audit of Costs Incurred by Da Afghanistan Breshna Sherkat</i>  |
| 18-25-FA      | 01/18/2018                           | <i>Department of Defense Task Force for Business and Stability Operations' Banking and Financial Infrastructure Development in Afghanistan and Iraq: Audit of Cost Incurred by aXseum Solutions, LLC</i> |
| 18-61-FA      | 07/18/2018                           | <i>USAID's Agricultural Credit Enhancement Project: Audit of Costs Incurred by Development Alternatives Inc.</i>   |

We also reviewed the internal quality control reviews performed by SIGAR.