

# Naval Audit Service



## Peer Review Report



### Opinion Letter – Peer Review of the Air Force Audit Agency

**N2005-0061**

**23 September 2005**

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23 Sep 05

MEMORANDUM FOR AUDITOR GENERAL OF THE AIR FORCE

Subj: **PEER REVIEW OF THE AIR FORCE AUDIT AGENCY (N2005-0061)**

Encl: (1) Peer Review Scope and Methodology  
(2) Management Response from Air Force Audit Agency to Naval Audit Service  
Opinion Report

1. We reviewed the system of quality control for the audit function of the Air Force Audit Agency (AFAA) in effect for selected audit and non-audit reports issued during the 6-month period ended 30 September 2004, and for a selected quality assurance review during the 12-month period ended 30 September 2004. The objective of our review was to determine whether AFAA's internal quality control system was adequate and complied with in order to provide reasonable assurance that applicable auditing standards, policies, and procedures were met. As stated below, we are issuing an unqualified opinion on your system of audit quality control.

2. We conducted our review in conformity with standards and guidelines established by the President's Council on Integrity and Efficiency (PCIE), 2004 Draft Revision<sup>1</sup> and Generally Accepted Government Auditing Standards (GAGAS). We tested compliance with AFAA's system of quality control to the extent we considered appropriate. These tests included a review of 7 reports judgmentally selected from an AFAA provided listing of 1,285 audit and non-audit reports, and quality assurance reviews issued during the above stated periods. The reports selected included three performance audits, one non-audit report, one financial related audit, one classified audit report (to satisfy the specific 2005 peer review requirement to examine at least one classified audit report), and an internal quality assurance review report. Enclosure (1) contains additional background information on our scope and methodology, and on the reports selected for review.

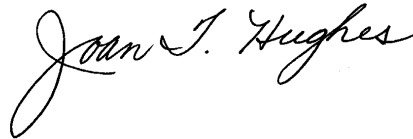
3. In our opinion, the system of quality control for the audit function of AFAA in effect during the period covered by the peer review, was designed to meet the requirements of the quality control standards established by the PCIE and was complied with to provide AFAA with reasonable assurance of compliance with professional auditing standards in the conduct of its audits. Therefore, we are issuing an unqualified opinion on your system of audit quality control.

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<sup>1</sup> At an 8 November 2004 meeting, the Inspector General, Department of Defense required this revision, still considered draft, to be used for the 2005 Peer Review.

Subj: **PEER REVIEW OF THE AIR FORCE AUDIT AGENCY (N2005-0061)**

4. We identified other reportable conditions that did not adversely affect the organization's ability to comply with applicable auditing standards, and established auditing policies and procedures. These conditions are presented in a separate Letter of Comments issued on 21 September 2005, and did not impact our opinion.
5. Your verbatim comments concurring with the Opinion Report findings and conclusion are included as enclosure (2).
6. We express our thanks to your staff and you for your cooperation and professionalism during this peer review. If you have any questions, please contact Mr. Richard Sansalone, Audit Director, at 202-433-5860 or e-mail [Richard.Sansalone@navy.mil](mailto:Richard.Sansalone@navy.mil).

A handwritten signature in cursive script that reads "Joan T. Hughes".

JOAN T. HUGHES  
Assistant Auditor General for  
Installations and Environment Audits

Copy To:  
DoDIG (AIG/APO)

# **Peer Review Scope and Methodology**

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## ***Scope and Methodology***

We conducted our review during the period of 18 January through 26 July 2005. We performed the review in accordance with Generally Accepted Government Auditing Standards (GAGAS), the President's Council on Integrity and Efficiency's (PCIE) Guide for Conducting External Quality Control Reviews of the Audit Operations of Office of the Inspector General-2004 Draft Revision, and the Air Force Audit Agency (AFAA) and Naval Audit Service Memorandum of Understanding of 18 November 2004. We tested compliance with the AFAA's system of quality control to the extent considered appropriate. We judgmentally selected, using PCIE Addendum 2, "External Peer Review Guide" criteria, 7 reports from an AFAA-provided listing of 1,285 audit and non-audit reports published during the 6 months ended 30 September 2004, and quality assurance review reports published during the 12-months ended 30 September 2004. The seven reports included three performance audits, one non-audit report, one financial related audit, one classified audit report (to satisfy the specific 2005 peer review requirement to examine at least one classified report), and an internal quality assurance review report. We reviewed and examined selected information from the published reports to the supporting work papers, applicable AFAA policies and procedures, and auditor Continuing Professional Education (CPE) achievement and documentation. We also interviewed responsible AFAA personnel.

In analyzing the AFAA's quality control system, we evaluated audit policies and procedures, and the following nine PCIE elements for the selected reports reviewed: Independence; Professional Judgment; Competence; Audit Planning; Supervision; Evidence and Audit Documentation; Reports on Performance Audits; Nonaudit Services; and the Quality Control Process. We found and noted reportable conditions with areas for improvement within aspects of the elements of Independence; Supervision; Evidence and Audit Documentation; and Quality Control; and in the area of CPE. These conditions will be addressed in a separate Letter of Comments. These conditions did not adversely affect the organization's ability to comply with applicable auditing standards, and established auditing policies and procedures.

## ***AFAA Offices Visited and Reports Reviewed***

We visited AFAA Centrally Directed Audit offices at Brooks-City Base (formerly Brooks Air Force Base (AFB)), TX; March Air Reserve Base (ARB), CA; and Wright-Patterson AFB, OH. Additionally, we visited AFAA Headquarters, Arlington, VA; and Robins AFB, GA. The following table lists the seven reports reviewed.

<b>No.</b>	<b>Report Number/ Project Number</b>	<b>Report Location/ Audit Site Visited</b>	<b>Report Date</b>	<b>Report Title</b>
1	F2004-6004-A1200 /F2004-FA1200- 1584.000	Arlington, VA	26 May 2004	Quality Assurance Review Report
2	F2004-0001- FD3000 /F2002- FD3000-1143.000	Brooks-City Base	5 November 2003	Air and Space Expeditionary Force Readiness Reporting (Classified Report)
3	F2004-0003- FD3000 /F2003- FD3000-0550.000	Brooks-City Base	1 April 2004	Air Force Common Helicopter Replacement Study
4	F2004-0004- FD4000 /F2004- FD4000-1580.000	Brooks-City Base	21 July 2004	Air Force Aid Society
5	F2004-0004-FB1000 /F2003-FB1000- 0089.000	March ARB	7 September 2004	Air Force Contract Debt
6	F2004-0029- FCR000 /F2004-FCR000- 1690.000	Robins AFB	28 June 2004	Unknown Source of Repair Warner Robins Air Logistics Center, Robins AFB
7	F2004-8012- FC1000 /F2003-FC1000- 0616.000	Wright-Patterson AFB	7 April 2004	Advisory Service, AF Research Lab, Space Vehicles Directorate, Kirtland AFB, Education and Training Statement of Work

**Enclosure 2:**

# **Management Response from Air Force Audit Agency to Naval Audit Service Opinion Report**



DEPARTMENT OF THE AIR FORCE  
AIR FORCE AUDIT AGENCY

28 July 2005

MEMORANDUM FOR ASSISTANT AUDITOR GENERAL FOR INSTALLATIONS AND  
ENVIRONMENT AUDITS, NAVAL AUDIT SERVICE  
ATTN: MS. JOAN HUGHES

FROM: HQ AFAA/DO  
1126 Air Force Pentagon  
Washington DC 20330-1126

SUBJECT: Response to 5 July 2005 Draft Opinion Report, Peer Review of the Air Force Audit  
Agency

My staff and I reviewed your draft opinion report pertaining to the 2005 peer review of the Air Force Audit Agency. We concur with your findings and are pleased you concluded our quality control system meets standards established by the President's Council on Integrity and Efficiency and provides reasonable assurance Air Force Audit Agency personnel are complying with professional auditing standards when conducting audits. The report does not contain any information we deem "For Official Use Only."

We express our thanks to the members of the Naval Audit Service staff who conducted this review in a professional and effective manner. Should you have questions, please call me at (703) 696-7764 or have your staff contact Mr. Jim Sommer at (703) 696-7727 or Mr. Len Miceli at (703) 696-7903.

*Michael V. Barbino*  
MICHAEL V. BARBINO  
Assistant Deputy Auditor General