

Naval Audit Service



Peer Review Report



Opinion Letter – Peer Review of the Army Audit Agency

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P2012-0001
16 February 2012

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**MEMORANDUM FOR THE AUDITOR GENERAL OF THE UNITED STATES
ARMY AUDIT AGENCY**

**Subj: OPINION LETTER - PEER REVIEW OF THE ARMY AUDIT AGENCY
(PEER REVIEW REPORT P2012-0001)**

**Ref: (a) United States Army Audit Agency (USAAA)/Naval Audit Service
(NAVAUDSVC) Memorandum of Understanding of 10/17 Nov 10**

Encl. (1) Peer Review Scope and Methodology

1. We have reviewed the system of quality control for the audit organization of the United States Army Audit Agency (USAAA) in effect for the year ended 30 September 2010. A system of quality control encompasses USAAA's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming to Government Auditing Standards. The elements of quality control are described in Government Auditing Standards. USAAA is responsible for designing a system of quality control and complying with it to provide USAAA with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and USAAA's compliance therewith based on our review.

2. Our review was conducted in accordance with Government Auditing Standards and guidelines established by the Council of the Inspectors General on Integrity and Efficiency. During our review, we interviewed USAAA personnel and obtained an understanding of the nature of the USAAA audit organization, and the design of the USAAA's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the USAAA's system of quality control. The engagements selected represented a reasonable cross-section of the USAAA's audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with USAAA management to discuss the results of

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our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

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

4. 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.

5. Enclosure (1) to this report identifies the offices of the USAAA that we visited and the engagements that we reviewed.

6. In our opinion, the system of quality control for the audit organization of USAAA in effect for the year ended 30 September 2010 has been suitably designed and complied with to provide USAAA with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. USAAA has received a peer review rating of *pass*.

7. We have issued a letter dated 16 February 2012 that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.



GREGORY N. SINCLITICO
Assistant Auditor General
Financial Management and Comptroller
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Copy to:
DoDIG (AIG/APO)

Peer Review Scope and Methodology

Scope and Methodology

We performed this review from January to August 2011. We used the Council of the Inspectors General on Integrity and Efficiency Guide, Section 2, External Peer Review Guide, to judgmentally select 6 reports from an USAAA-provided listing of 147 audits published between 1 April 2010 and 30 September 2010, and 1 of 11 quality assurance review reports published during the fiscal year-ended 30 September 2010. We judgmentally selected at least one project from each of the three USAAA directorates that were operational during the scope period. The projects were selected based on various factors including directorate, potential monetary benefits, and locations not involved in prior peer reviews. We reviewed and examined selected information from the published reports and compared the reported information to supporting work papers and applicable auditing standards and USAAA policies and procedures. We also examined auditor continuing professional education completion and documentation for a sample of 147 auditors, and we interviewed 54 USAAA personnel to assess competency and professional judgment.

We did not review oversight of contracted audit work since the USAAA did not contract for audit work during the period under review. In addition, although the USAAA performed non-audit services, these services did not relate to the projects selected for review. However, we did assess USAAA policies and procedures for conducting non-audit services and determined the types of services performed did not impede their organizational independence.

We evaluated the USAAA quality control system and the following eight Council of the Inspectors General on Integrity and Efficiency Guide elements for the selected reports reviewed:

- Quality Assurance Program
- Independence
- Professional Judgment
- Competence
- Audit Planning
- Supervision
- Evidence and Documentation
- Reporting and Quality Control

During the review, we visited the USAAA Operations Center Headquarters in Alexandria, VA and five USAAA field office locations. The table below lists the office locations where the audit teams (for the projects reviewed) were based. Additionally, the table identifies the project number, report number, published report date, and report title for each office location visited.

Field Office Location	Project Number	Report Number	Published Report Date	Report Title
Ft. Belvoir, VA ¹	A-2007-ZBI-0344.002	A-2010-0141-ZBI	22 Jul 2010	Foreign Language Program – Training and Proficiency, Offices of the Deputy Chief of Staff
Ft. Monroe, VA (TRADOC)	A-2009-FFF-0356.000	A-2010-0095-FFF	5 May 2010	Controls Over Basic Allowance for Subsistence and Dining Facility Charges
Huntsville, AL	A-2009-ALI-0653.000	A-2010-0155-ALI	5 Aug 2010	Excess, Vacant, and Not Utilized Facilities and land, Army National Guard
Ft. Lewis, WA	A-2010-ALR-0315.000	A-2010-0144-ALR	28 Jul 2010	Follow-up Audit of Property Accountability, Oklahoma Army National Guard
Ft. Benning, GA	A-2010-ALO-0163.005	A-2010-0120-ALO	23 Jun 2010	American Recovery and Reinvestment Act of 2009, Fort Stewart and Hunter Army Airfield, Georgia
Ft. Carson, CO	A-2009-FFI-0275.000	A-2010-0201-FFI	22 Sep 2010	Collaboration Between Network Enterprise Centers and Signal Soldiers
Alexandria, VA (Operations Center)	A-2009-PMO-0648.000	Q2010-0006-PMO	15 Jun 2010	Quality Assurance Postaudit Review of the Audit of Body Armor Testing, PEO, Soldier

Table 1. Selected Projects and Locations Reviewed.

¹ Interviews with audit staff were conducted at Operations Center in Alexandria, VA. Interviews for remaining audits were conducted at field office location