



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

March 10, 2016

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF
FINANCIAL OFFICER, DOD
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
NAVAL INSPECTOR GENERAL
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Contract Oversight for the Audit of the United States Navy Schedule of Budgetary
Activity for FY 2016 (Project No. D2016-D000FS-0110.000)

Our planned oversight will begin immediately. The Assistant Secretary of the Navy (Financial Management and Comptroller) requested an audit of the U.S. Navy Schedule of Budgetary Activity (Schedule). We contracted with the independent public accounting firm of Cotton & Company, LLP, to audit the FY 2016 U.S. Navy Schedule. The objective of the audit is to determine whether the Schedule and related note disclosures were fairly presented in all material respects, and in conformity with accounting principles generally accepted in the United States of America. We will review the documentation for any classified samples and provide the results of our review to Cotton & Company to use in developing its overall audit conclusions.

We will rely on the Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual (GAO/PCIE FAM), section 650, "Using the Work of Others," to design and perform oversight procedures to review Cotton & Company's audit work, and if applicable, disclose instances in which Cotton & Company did not comply, in all material respects, with U.S. generally accepted government auditing standards. Our review will not enable us to express an opinion on the Schedule, internal controls, whether the financial management systems substantially complied with the Federal Financial Management Improvement Act of 1996, or conclusions of compliance with laws and regulations. We will provide oversight and review Cotton & Company's audit work, but Cotton & Company will be responsible for expressing the opinion on the Schedule.

Please provide us with a point of contact for the audit within 10 days of the date of this memorandum. The point of contact should be a Government employee—a GS-15, pay band equivalent, or the military equivalent. Send the contact's name, title, grade/pay band, phone number, and e-mail address to audclev@dodig.mil.

You can obtain information about the Department of Defense Office of Inspector General from DoD Directive 5106.01, "Inspector General of the Department of Defense (IG DoD)," April 20, 2012; DoD Instruction 7600.02, "Audit Policies," October 16, 2014; and DoD Instruction 7050.03, "Office of the Inspector General of the Department of Defense Access to Records and Information," March 22, 2013. Our website is www.dodig.mil.

If you have any questions, please contact [REDACTED]



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Financial Management Reporting