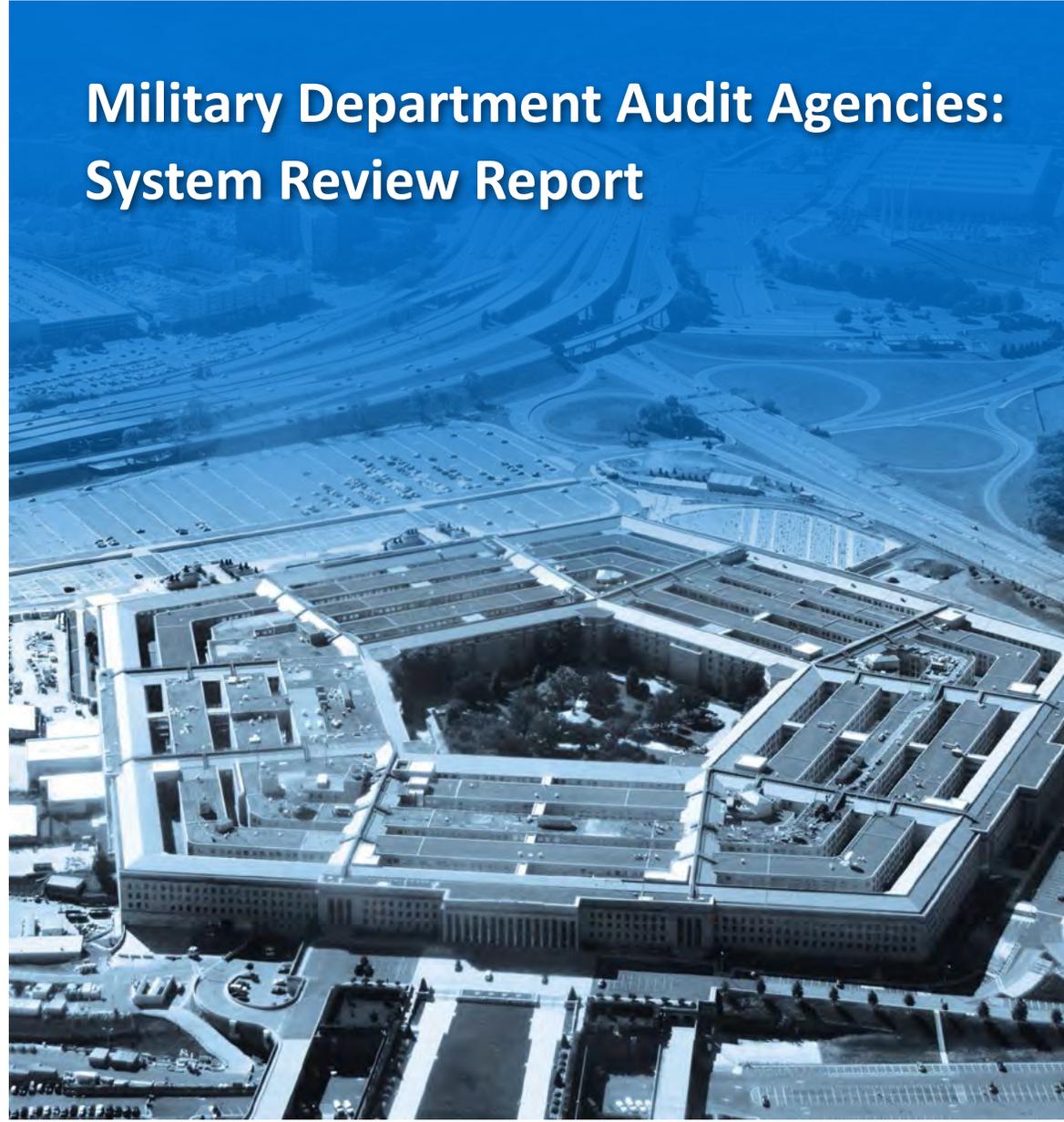




INSPECTOR GENERAL

U.S. Department of Defense

APRIL 09, 2015



Military Department Audit Agencies: System Review Report

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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Our mission is to provide independent, relevant, and timely oversight of the Department of Defense that supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and Congress; and informs the public.

Vision

Our vision is to be a model oversight organization in the Federal Government by leading change, speaking truth, and promoting excellence—a diverse organization, working together as one professional team, recognized as leaders in our field.



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

April 09, 2015

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY
ACTING AUDITOR GENERAL, DEPARTMENT OF THE NAVY
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Military Department Audit Agencies: System Review Report
(Report No. DODIG-2015-105)

Attached is the final System Review Report of the Military Department Audit Agencies conducted in accordance with Government Auditing Standards and Council of Inspectors General on Integrity and Efficiency guidelines.

If you have any questions, please contact Ms. Carolyn R. Davis at 703-604-8877 (DSN 664-8877) or by e-mail Carolyn.Davis@dodig.mil.

A handwritten signature in black ink, appearing to read "R. Stone", is positioned above the typed name of the Deputy Inspector General.

Randolph R. Stone
Deputy Inspector General
Policy and Oversight

Attachment





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

April 09, 2015

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY
ACTING AUDITOR GENERAL, DEPARTMENT OF THE NAVY
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Military Department Audit Agencies: System Review Report
(Report No. DODIG-2015-105)

We have reviewed the results, conclusions, and recommendations of the Military Department audit agencies’* peer reviews in coordination with our reviews of Special Access Program (SAP) audits that addressed the system of quality control for the Military Department audit agencies, in effect for the year ended September 30, 2013 (Enclosure). A system of quality control encompasses the Military Department audit agency’s organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming to Government Auditing Standards (GAS), which describes the elements of quality control. The Military Department audit agencies are responsible for establishing and maintaining a system of quality control that is designed to provide them reasonable assurance that their organizations and personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the Military Department audit agencies’ design of the system of quality control and compliance based on their peer reviews and our quality control reviews of their SAP audits.

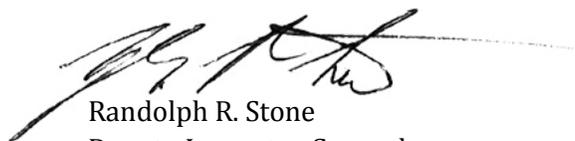
The reviews were conducted in accordance with GAS and the Council of Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. During the reviews, we and peer review teams from the Military Departments audit agencies interviewed personnel and obtained an understanding of the nature of the design of the audit agencies’ systems of quality control sufficient to assess the risks implicit in their audit functions. Based on these assessments, the Military Department audit agencies selected audit and attestation engagements, collectively referred to as “audits,” and administrative files to test for conformity with professional standards and compliance with the Military Department audit agencies’ system of quality control. The audits selected represented a reasonable cross section of audits, with emphasis on higher risk audits. Prior to concluding the reviews, we and the Military Department audit agencies assessed the adequacy of the scope of the External Peer Review procedures and met with Military Department audit agency management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

* The Military Department audit agencies are the Army Audit Agency, Naval Audit Service, and Air Force Audit Agency.

In performing these reviews, we along with the Military Department audit agencies obtained an understanding of the system of quality control for the Military Department audit agencies. In addition, we and the Military Department audit agencies tested compliance with the Military Department audit agencies' quality control policies and procedures to the extent considered appropriate. These tests covered the application of the audit agencies' policies and procedures on selected audits. The reviews were 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; 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.

In our opinion, the system of quality control for each of the Military Department audit agencies in effect for the year ended September 30, 2013, has been suitably designed and complied with to provide the Military Department audit agencies 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*. The Military Department audit agencies have received an External Peer Review rating of *pass*.



Randolph R. Stone
Deputy Inspector General
Policy and Oversight

Enclosure

Enclosure

Scope and Methodology

The Office of the Assistant Inspector General (AIG) for Audit Policy and Oversight (APO) and the Military Department audit agencies conducted the quality control reviews in accordance with the standards and guidelines established in the November 2012 update to the Council of Inspectors General on Integrity and Efficiency (CIGIE) “Guide for Conducting External Peer Reviews of the Audit Organizations of the Federal Offices of Inspector General,” and the previous version of this guide dated March 2009, where applicable. In addition, the Office of the AIG for APO conducted the reviews of Special Access Program (SAP) audits in accordance with the November 2012 version of the CIGIE “Quality Standards for Inspection and Evaluation.”

Each of the Military Department audit agencies performed a peer review of another audit agency. For FY 2014, the Army Audit Agency reviewed 10 Air Force Audit Agency audit reports, Air Force Audit Agency reviewed 6 Naval Audit Service audit reports, and Naval Audit Service reviewed 6 Army Audit Agency audit reports. For the review of SAP audits, the Office of the AIG for APO judgmentally selected three SAP audit reports each from the Army Audit Agency and Air Force Audit Agency.¹ In addition to the audit reports, the Military Department audit agencies and the Office of the AIG for APO also reviewed one internal quality assurance report.

We performed procedures to provide a basis for reliance on the Military Department audit agencies’ review results and to ensure that the CIGIE guidelines were consistently applied. We attended planning meetings, reviewed memorandums of agreement, point papers, checklists, peer reviews, and quality control reviews from the last reviews performed in FY 2011 for implementation of suggested actions or recommendations.

We issued the following quality control reports for the SAP audits for Army Audit Agency and Air Force Audit Agency.²

Table 1. Quality control reports

Report Number	Report Date	Report Title
DODIG-2014-117	September 17, 2014	Quality Control Review of Army Audit Agency’s Special Access Program Audits
DODIG-2014-059	December 9, 2014	Quality Control Review of Air Force Audit Agency’s Special Access Program Audits

¹ The Naval Audit Service did not issue any SAP reports for the period of review ending September 30, 2013.

² The report titles for the SAP audits reviewed are classified or contain information sensitive to disclosure. They are not listed in this report.

We also reviewed the following opinion reports from the Military Department audit agencies:

Table 2. Opinion reports

Reviewing Organization	Project Number or Report Number	Report Date	Report Title
Army Audit Agency	A-2015-0027-FMZ	January 14, 2015	Opinion Report on the Fiscal Year 2014 External Quality Control of the Air Force Audit Agency
Naval Audit Agency	P2015-001	March 12, 2015	Opinion Letter-2014 Peer Review of the Army Audit Agency
Air Force Audit Service	F2014-A-13000-0223	September 29, 2014	Opinion Report on the Fiscal Year 2014 External Quality Control Peer Review of the Naval Audit Service

The following is a listing of reports the Military Department audit agencies reviewed:

Table 3. Army Audit Agency Review of Air Force Audit Agency Reports

Report Number	Report Title
F-2013-0011-L30000	Acquisition Professional Development Program
F-2013-0009-L10000	Air Force Working Capital Fund Spending Authority Collections-Standard Base Supply System Transactions
F-2013-0039-RWC000	Contractor-Owned Test, Measurement, and Diagnostic Equipment, Air Force Life Cycle Management Center
F-2013-0007-L40000	Depot Condemnations
F-2013-0023-RWC000	Depot Condemnations
F-2012-0071-FRC000	Depot Condemnations
F-2013-0012-RWI000	Depot Condemnations
F-2013-0056-RES000	Due-Out to Maintenance Additives
F-2013-0004-O20000	Independent Agreed-Upon Procedures Report, Plug-In Electric Vehicles Business Case Analysis
F-2013-0017-O40000	Patient-Centered Medical Home
F-2013-6002-A13000	Operational Review of Internal Control and Fraud Assessments

Table 4. Naval Audit Service Review of Army Audit Agency Reports

Report Number	Report Date	Report Title
A-2013-0098-IEO	May 21, 2013	Reimbursable Support for Installation Services, Assistant Secretary of the Army (Financial Management and Comptroller) and Assistant Chief of Staff for Installation Management
A-2013-0108-FMF	June 24, 2013	Army Executive Dining Facility Fund Financial Statements, Office of the Administrative Assistant to the Secretary of the Army
A-2013-0116-ALE	July 8, 2013	Housing Allowances in Europe, U.S. Army Europe
A-2013-0119-FMF	July 2, 2013	Stopping Pay for Soldiers in an Absentee or Deserter Status
A-2013-0158-MTS	September 25, 2013	Attestation of 7th Infantry Division Force Structure, Joint Base Lewis McChord
Q-2013-0007-ZBO	June 6, 2013	Quality Assurance Post Audit Review of the Audit of Joint Material Release Process – Munitions (Audit Report: A-2012-0071-ALS)
A-2013-0122-MTS	July 10, 2013	Agreed-Upon Procedures Attestation

Table 5. Air Force Audit Agency Reviews of Naval Audit Service Reports

Report Number	Report Date	Report Title
N2013-0021	April 8, 2013	Internal Controls Over Naval Criminal Investigative Service Salary Payments and Travel Process
N2013-0028	June 3, 2013	Agreed Upon Procedures Attestation Engagement of Assessing Internal Controls Over Financial Reporting in the Department of the Navy, Phase 4
N2013-0041	August 28, 2013	Marine Corps War Reserve Levels
N2013-0046	September 24, 2013	Service Contract Administration at Naval Air Warfare Center Aircraft Division, Patuxent River
N2013-0049	September 27, 2013	Department of the Navy Tax Exempt Commercial Lodging
N2013-0050	September 30, 2013	Long-Term Temporary Duty for Marine Corps Reserves Performing Duty within the Continental United States and Hawaii
Q2013-0001	February 14, 2013	Quality Control Review of Audit Programs



Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

The Whistleblower Protection Enhancement Act of 2012 requires the Inspector General to designate a Whistleblower Protection Ombudsman to educate agency employees about prohibitions on retaliation, and rights and remedies against retaliation for protected disclosures. The designated ombudsman is the DoD Hotline Director. For more information on your rights and remedies against retaliation, visit www.dodig.mil/programs/whistleblower.

For more information about DoD IG reports or activities, please contact us:

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