

# AIR FORCE AUDIT AGENCY



## Fiscal Year 2011 External Quality Control Peer Review of the Naval Audit Service



# AUDIT REPORT

F2011-6005-FA1200

22 August 2011



DEPARTMENT OF THE AIR FORCE  
AIR FORCE AUDIT AGENCY

22 August 2011

MEMORANDUM FOR THE AUDITOR GENERAL OF THE NAVY

FROM: HQ AFAA/DO  
1500 West Perimeter Road, Suite 4700  
Joint Base Andrews MD 20762

SUBJECT: Opinion Report Number F2011-6005-FA1200, Fiscal Year 2011 External Quality Control Peer Review of the Naval Audit Service (Project F2011-FA1200-0198.000)

1. We reviewed the Naval Audit Service (NAS) system of quality control for the audit function in effect for the year ended 30 September 2010. The objective of our review was to determine whether the NAS internal quality control system provided reasonable assurance NAS auditors followed established policies, procedures, and applicable auditing standards.
2. We conducted the review in accordance with generally accepted government auditing standards, the guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE), March 2009, and our Memorandum of Understanding dated 10 November 2010. Specifically, we tested compliance with the NAS system of quality control to the extent we considered appropriate (see attached). These tests included a review of six audit reports and one quality assurance report. In performing our review, we considered the requirements of quality control standards and other auditing standards contained in the 2007 Revision of the *Government Auditing Standards* issued by the Comptroller General of the United States.
3. In our opinion, the system of quality control for the NAS audit function, in effect for the year ended 30 September 2010, was designed in accordance with quality standards established by the CIGIE. Further, the internal quality control system was operating effectively to provide reasonable assurance that audit personnel followed established policies, procedures, and applicable auditing standards. Accordingly, the NAS received a peer review rating of pass for the review period ended 30 September 2010.
4. We identified other issues that did not warrant inclusion in the formal opinion report. We provided these issues to the NAS in a separate letter of comments dated 22 August 2011. These issues did not affect our overall opinion.

5. Thank you for the courtesies and cooperation extended to us during the review. Should you have questions, your staff may contact Ms. Bobbi Karibian at (240) 612-5116, Ms. Evelyn Bethea at (240) 612-5117, or me at (240) 612-5110.



MICHAEL V. BARBINO  
Acting Director of Operations

Attachment:  
Peer Review Scope and Methodology

cc:  
DoDIG (AIG/APO)  
Deputy Auditor General, Policy & Operations Management (NAS)

## Peer Review Scope and Methodology

We performed this review from January to May 2011. We used the CIGIE Guide, Section 2, *External Peer Review Guide*, to judgmentally select six reports from an NAS-provided listing of 40 audits published between 1 April 2010 and 30 September 2010 and 1 of 3 quality assurance review reports published during the year-ended 30 September 2010. We judgmentally selected one report from each of the five NAS directorates plus the one report that identified potential monetary benefits. The projects were selected based on which topics had the greatest mission impact. We also judgmentally selected the quality assurance review report on Privacy Data because data protection is a high visibility topic. We reviewed and examined selected information from the published reports and compared the reported information to supporting work papers and applicable auditing standards and NAS policies and procedures. We also examined auditor continuing professional education completion and documentation for a sample of 121 auditors, and we interviewed 24 NAS personnel to assess competency and professional judgment. Finally, we reviewed transcripts for a sample of 10 auditors hired by NAS during Fiscal Years 2009 and 2010 to assess staff qualifications.

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

We evaluated the NAS quality control system and the following eight CIGIE 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 NAS Headquarters at the Washington Navy Yard in Washington, D.C. and the NAS office at the Norfolk Naval Base, Norfolk, Virginia. The following table identifies the seven reports reviewed:

<b>Report Number</b>	<b>Report Date</b>	<b>Report Title</b>
N2010-0025	28 Apr 10	Contracting Practices for Strategic Systems Programs
N2010-0031	4 Jun 10	Environmental Differential Pay at Selected Department of the Navy Commands and Activities
N2010-0035	14 Jun 10	Aircraft Quantitative Requirements for the Acquisition of the Joint Primary Aircraft Training System
N2010-0040	30 Jun 10	Protecting Personally Identifiable Information at the Office of Civilian Human Resources and Human Resources Service Centers
N2010-0046	3 Aug 10	Defense Travel System
N2010-0057	16 Sep 10	Navy Marine Corps Intranet Contract Invoice Management at Space and Naval Warfare Systems Command and Naval Facilities Engineering Command
Q2010-0002	10 Mar 10	Quality Control Review: Privacy Data