

Naval Audit Service



Peer Review Report



Opinion Letter – 2014 Peer Review of the Army Audit Agency

P2015-0001
12 March 2015

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

Subj: **OPINION LETTER – 2014 PEER REVIEW OF THE ARMY AUDIT
AGENCY (PEER REVIEW REPORT P2015-0001)**

Ref: (a) United States Army Audit Agency/Naval Audit Service Memorandum of
Understanding of 4 December 2013

Encl: Peer Review Scope and Methodology

1. We have reviewed the United States Army Audit Agency (USAAA) system of quality control in effect for the year ended 30 September 2013. USAAA is responsible for designing, and complying with, a system of quality control to provide 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 Generally Accepted Government Auditing Standards; the guidelines established by the Council of the Inspectors General on Integrity and Efficiency dated March 2009; and our Memorandum of Understanding dated 4 December 2013 (Reference (a)). In performing our review, we considered the requirements of quality control standards and other auditing standards contained in the 2007 and 2011 revisions of the *Government Auditing Standards* issued by the Comptroller General of the United States.
3. During our review, we interviewed USAAA personnel and obtained a sufficient understanding of the audit organization and the design of USAAA's system of quality control to allow us to assess the risks implicit in its audit function. 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 USAAA's audit organization.

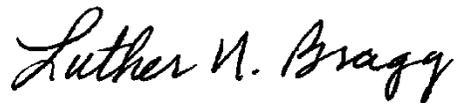
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4. In performing our review, we tested the application of USAAA's policies and procedures on seven selected engagements to the extent we considered appropriate. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control, or all instances of noncompliance with it.

5. 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 insufficient because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

6. In our opinion, the system of quality control for USAAA in effect for the year ended 30 September 2013 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* for the review period ended 30 September 2013.

7. As is customary, we are also issuing a letter of comments setting forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.



LUTHER N. BRAGG
Acting Auditor General of the Navy

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DoDIG (AIG/APO)

Peer Review Scope and Methodology

We tested compliance with the United States Army Audit Agency (USAAA) audit organization's system of quality control to the extent we considered appropriate. We used the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Guide, Section 2, External Peer Review Guide, to judgmentally select 6 reports from USAAA's listing of 72 audit and attestation reports issued during the period of 1 April 2013 through 30 September 2013. We also selected one of the four internal quality control reviews published by USAAA during the fiscal year that ended 30 September 2013. We judgmentally selected at least one project from each of the four USAAA directorates that were operational during the scope period. The projects were selected based on various factors, including directorate, potential monetary benefits, and type of engagement. We reviewed and examined selected information from the published reports and compared the reported information to supporting work papers and applicable auditing standards and to USAAA policies and procedures. We also examined completion and documentation of auditor continuing professional education for a sample of 157 auditors, and we interviewed 58 USAAA personnel to assess competency and professional judgment.

We did not review oversight of contracted audit work because 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 that the types of services performed did not impede their organizational independence.

In the reports selected for review, we evaluated the USAAA system of quality control and the following 10 CIGIE Guide elements:

- Quality Assurance Program
- Independence
- Professional Judgment
- Competence
- System of Quality Controls
- Audit Planning
- Supervision
- Evidence and Documentation
- Legal and Regulatory Requirements
- Reporting Standards

Table 1 lists the office locations where the audit teams for the reviewed projects were based. During the review, we visited the USAAA Operations Center Headquarters in Alexandria, VA and five USAAA field office locations.

Table 1. Selected Projects and Locations Reviewed.

Field Office Location	Project Number	Report Number	Published Report Date	Report Title
Fort Hood	A-2012-IEO-0253.000	A-2013-0098-IEO	21 May 13	Reimbursable Support for Installation Services, Assistant Secretary of the Army (Financial Management and Comptroller) and Assistant Chief of Staff for Installation Management
Fort Belvoir	A-2013-FMF-0055.000	A-2013-0108-FMF	24 Jun 13	Army Executive Dining Facility Fund Financial Statements, Office of the Administrative Assistant to the Secretary of the Army
Europe	A-2012-ALE-0410.000	A-2013-0116-ALE	8 Jul 13	Housing Allowances in Europe, U.S. Army Europe
St. Louis	A-2012-FMF-0426.000	A-2013-0119-FMF	2 Jul 13	Stopping Pay for Soldiers in an Absentee or Deserter Status
Fort Lewis	A-2013-MTS-0095.000	A-2013-0158-MTS	25 Sep 13	Attestation of 7 th Infantry Division Force Structure, Joint Base Lewis-McChord
Alexandria, VA (Operations Center)	A-2012-ZBO-0408.000	Q-2013-0007-ZBO	6 Jun 13	Quality Assurance Post Audit Review of the Audit of Joint Materiel Release Process – Munitions (Audit Report: A-2012-0071-ALS)
Fort Bragg ¹	A-2013-MTS-0181.000 ²	A-2013-0122-MTS	10 Jul 13	Agreed-Upon Procedures Attestation of Paratrooper Requirements

¹ We did not visit this location.

² We conducted a limited review of this project. Specifically, we determined whether USAAA adhered to Generally Accepted Government Accounting Standard requirements when the project changed from a performance audit to an agreed-upon procedures attestation. Additionally, we included personnel assigned to this project in our review of continuing professional education. These were the only tests performed related to this project.