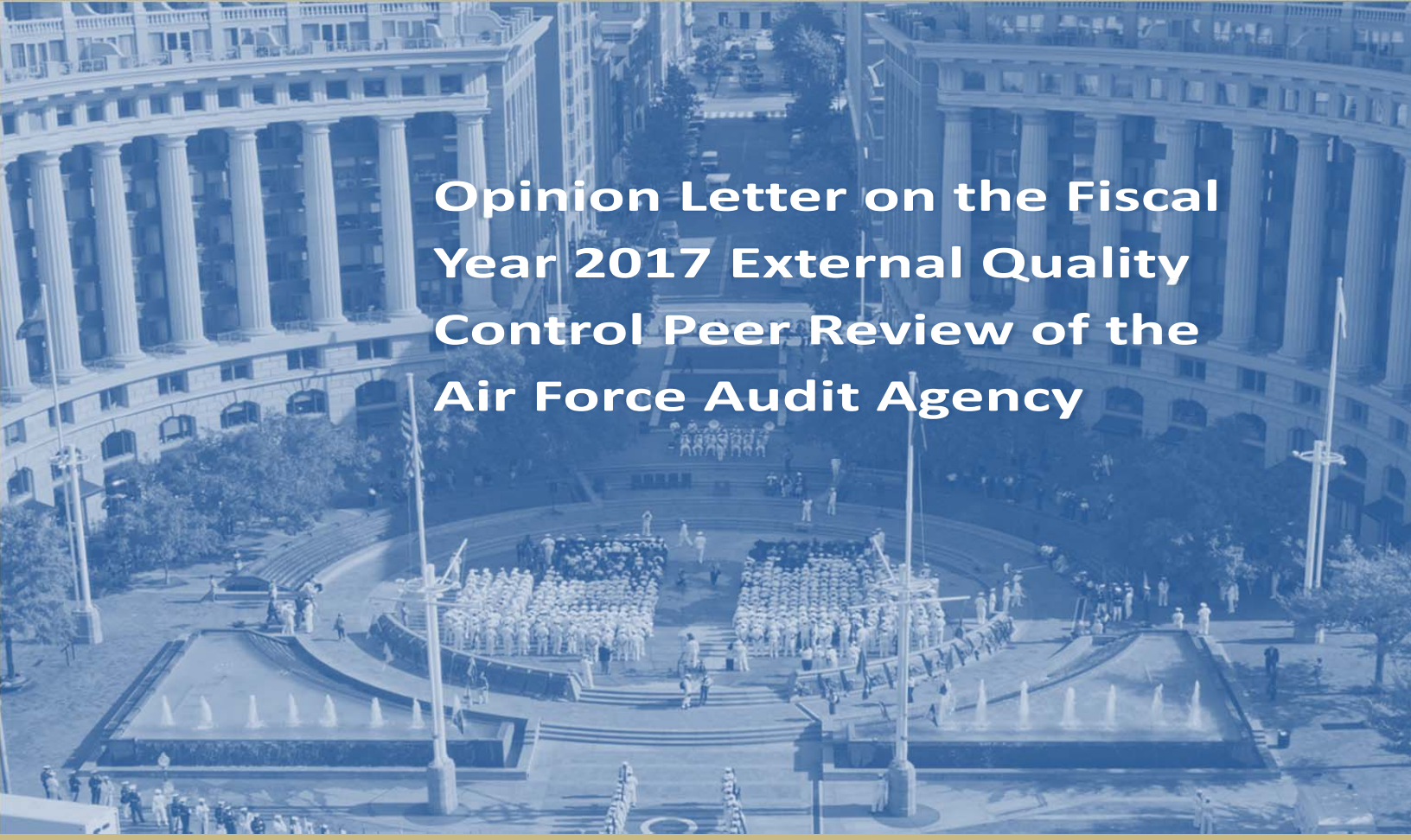




NAVAL AUDIT SERVICE

Opinion Letter



Opinion Letter on the Fiscal Year 2017 External Quality Control Peer Review of the Air Force Audit Agency

The mission of the Naval Audit Service is to provide independent and objective audit services and products to assist Department of the Navy leadership in assessing risk to improve efficiency, accountability, and program effectiveness.

P2017-0001
29 September 2017



DEPARTMENT OF THE NAVY
NAVAL AUDIT SERVICE
1006 BEATTY PLACE SE
WASHINGTON NAVY YARD, DC 20374-5005

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2017-004
29 Sep 17

MEMORANDUM FOR THE AUDITOR GENERAL OF THE AIR FORCE

Subj: OPINION LETTER ON THE FISCAL YEAR 2017 EXTERNAL QUALITY CONTROL PEER REVIEW OF THE AIR FORCE AUDIT AGENCY (OPINION LETTER P2017-0001)

Encl: Peer Review Scope, Methodology, and List of Projects Reviewed

1. We reviewed the Air Force Audit Agency (AFAA) system of quality control for the audit function in effect for the review period ending on 31 December 2016. The objective of our review was to verify that AFAA's system of quality controls are suitably designed and comply with their quality control system in order to provide the agency with reasonable assurance of conforming to applicable professional standards.
2. We conducted our review in accordance with Generally Accepted Government Auditing Standards; the guidelines established by the Council of the Inspectors General on Integrity and Efficiency, dated September 2014; and our Memorandum of Understanding, dated 16 December 2016. In performing our review, we considered the requirements of quality control standards and other auditing standards included in the 2011 revision of the *Government Auditing Standards* issued by the Comptroller General of the United States.
3. We tested compliance with AFAA's system of quality control to the extent we considered appropriate. These tests included the judgmental selection of: 7 performance audits; 1 terminated performance audit; 1 agreed-upon procedures attestation; and 1 quality assurance review. The enclosure includes additional information on our scope and methodology; and a list of the audits, attestation, and quality assurance review selected for review.
4. In our opinion, the system of quality control for the audit function of AFAA was designed in accordance with quality standards established by the Council of the Inspectors General on Integrity and Efficiency in effect for the review period ending on 31 December 2016. We found reasonable assurance that AFAA personnel complied with the system of quality control and conducted audits in accordance with Generally

Subj: **OPINION LETTER ON THE FISCAL YEAR 2017 EXTERNAL QUALITY CONTROL PEER REVIEW OF THE AIR FORCE AUDIT AGENCY (OPINION LETTER P2017-0001)**

Accepted Government Auditing Standards. Accordingly, AFAA has received a peer review rating of “pass” for the review period ending on 31 December 2016.

5. During our review we did not identify any reportable conditions. A reportable condition for peer review purposes represents a deficiency in the design or operation of the reviewed organization’s internal control system that could adversely affect the organization’s ability to comply with applicable auditing standards and established auditing policies and procedures. We noted/found areas where AFAA could strengthen its quality control system, but this did not affect our opinion. These areas for improvement are presented in a separate letter of comments.

6. We express our thanks to you and your staff for the cooperation and professionalism extended to the review team.



RONNIE J. BOOTH
Assistant Auditor General
Manpower and Reserve Affairs Audits (Acting)

Copy to:
DoDIG (AIG/APO)

Enclosure: Peer Review Scope, Methodology, and List of Projects Reviewed

Scope and Methodology

We conducted our review during the period 6 January through 12 September 2017. We performed the review in accordance with Council of the Inspectors General on Integrity and Efficiency Audit Committee's Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General, dated September 2014; and the Air Force Audit Agency (AFAA) and Naval Audit Service Memorandum of Understanding of 16 December 2016. We tested compliance with AFAA's system of quality control to the extent considered appropriate.

We judgmentally selected 7 published reports from an AFAA-provided listing of 306 completed audits from 1 July through 31 December 2016. In addition, we judgmentally selected 1 attestation from a listing of 6; 1 quality assurance review from a listing of 3; and 1 terminated audit from a listing of 811 projects, which included 150 cancelled projects, 556 memos, and 105 classified as other between 1 January 2014 and 31 December 2016.

We also reviewed and examined selected information from published reports, supporting working papers, applicable AFAA policies and procedures, and auditor Continuing Professional Education documentation for 106 personnel. We interviewed 50 AFAA personnel to determine the extent to which AFAA's quality control policies and procedures had been effectively communicated to staff.

In analyzing AFAA's quality control system, we evaluated audit policies and procedures, and the following Council of the Inspectors General on Integrity and Efficiency elements for the selected reports reviewed:

- Independence
- Professional Judgment
- Competence
- Planning
- Supervision
- Evidence and Documentation
- Reporting
- Quality Control Policies and Procedures

We found and noted areas for improvement within aspects of five¹ of these elements (Independence, Supervision, Evidence and Documentation, Reporting, and Quality

¹ While no issue was noted with competency, we did find an issue in the recording of Continuing Professional Education (CPEs) within AFAA's Management Information System (MIS) that could possibly lead to competency issues in the future. For more information, see Letter of Comments, page 7.

Control Policies and Procedures). These noted areas, which will be addressed in a separate letter of comments, did not adversely affect the organization’s ability to comply with applicable auditing standards and established auditing policies and procedures.

List of Audits, Attestation, and Quality Assurance Review Selected

Type	Project Number	Title	Functional Area	Date Published	Location
Centrally Directed Audit (CDA)	F-2016-0004-L40000	Item-Level Secondary Inventory Control Activity Requirements	Joint Warfighting and Readiness	9/19/16	Wright-Patterson Air Force Base (AFB)
CDA Local Audit	F-2017-0005-REE000	Real Property Management – Dormitory Utilization, 86 th Airlift Wing	Human Capital	11/16/16	Ramstein Air Base, Germany
Local Audit, Follow-Up	F-2017-0016-REM000	Follow-up Audit Subsidized Transportation Benefits, 375 th Air Mobility Wing	Financial Management	12/8/16	Scott AFB
Local Audit, Follow-On	F-2017-0008-REE000	Follow-on Audit Local National Pay, 435 th Air Ground Operations Wing	Financial Management	12/6/16	Ramstein Air Base, Germany
Local Audit	F-2017-0018-REM000	Pharmacy Operations, 375 th Air Mobility Wing	Healthcare	12/15/16	Scott AFB
Local Audit	F-2017-0009-RWS000	Information Technology Equipment, 24 th Air Force	Cybersecurity	12/1/16	Randolph AFB
Local Audit	F-2016-0020-REE000	Office Supply Acquisitions, US Military Training Mission, Southwest Asia	Acquisition Processes and Contract Management	7/25/16	Ramstein Air Base, Germany
Attestation	F-2017-REG000-0236.000	Utilities Privatization TRUAX Air National Guard	Acquisition Processes and Contract Management	12/14/16	Eglin AFB
Quality Assurance Review	F-2017-0001-A1300	Operations and Support Directorate Quality Assurance Review	Operations and Support Directorate	12/13/16	Randolph AFB
Terminated CDA	F-2017-030000-0002.000	Security at Off-Installation Locations	Joint Warfighting and Readiness	Terminated Date 10/26/16	Randolph AFB

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Phone: (202) 433-5840 (DSN 288)

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1006 Beatty Place SE
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Naval Audit Service Web Site

<http://www.secnav.navy.mil/navaudsvc>

Report Front Cover Photograph: 140604-N-CS953-004 WASHINGTON (June 4, 2014) A sea of white uniforms greets visitors to the Navy Memorial in Washington, DC as Sailors gather to celebrate the 72nd anniversary of the Battle of Midway. The celebration held host to Marines, Navy, and Coast Guard service members, Midway veterans and a gathered crowd of onlookers. The Battle of Midway is considered by many to be the turning point of the Pacific theater of World War II and one of the most well-known and revered victories in naval history. (U.S. Navy photo by Mass Communication Specialist 1st Class Tim Comerford/Released)