

Inspector General

United States
Department of Defense



Independent Auditor's Report on the Attestation of
the Existence, Completeness, and Rights of the
Department of the Navy's Aircraft

Report Documentation Page

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Acronyms and Abbreviations

AIRRS	Aircraft Inventory and Readiness Reporting System
APSR	Accountable Property System of Record
FM&C	Financial Management and Comptroller



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May 31, 2012

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE
(COMPTROLLER)/CHIEF FINANCIAL OFFICER, DOD
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)

SUBJECT: Independent Auditor's Report on the Attestation of the Existence,
Completeness, and Rights of the Department of the Navy's Aircraft
(Report No. DODIG-2012-097.)

We are providing this report for information and use. No written response to this report was required. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8905.

A handwritten signature in cursive script, reading "Amy J. Frontz".

Amy J. Frontz, CPA
Principal Deputy Inspector General
for Auditing



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SUBJECT: Independent Auditor's Report on the Attestation of the Existence,
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(Report No. DODIG-2012-097)

We have examined management's assertion of audit readiness for the existence, completeness, and rights of the Department of the Navy's (Navy's) aircraft as of December 31, 2011. Navy management is responsible for its assertion of audit readiness. Our responsibility is to express an opinion on the assertion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards as stated in the Government Accountability Office's "Government Auditing Standards," July 2007. Those standards require examining, on a test basis, evidence supporting the Navy's assertion of audit readiness of the existence, completeness, and rights of their mission-critical assets and performing other procedures we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion on management's assertion.

In our opinion, the Navy's assertion of audit readiness for the existence, completeness, and rights of its aircraft as of December 31, 2011, is stated fairly, in all material respects, based on management having met its assertion responsibilities stated above.

Internal controls are important for safeguarding assets. Management designs internal controls to provide reasonable assurance that unauthorized acquisition, use, or disposition of assets will be prevented or detected and corrected in a timely manner. During our examination, we identified a reporting internal control deficiency.

We performed our examination using information prepared by the Assistant Secretary of the Navy Financial Management and Comptroller (Navy FM&C) in the audit readiness assertion for the existence, completeness, and rights of the Navy's mission-critical assets as of September 30, 2010. Navy FM&C identified the Aircraft Inventory Readiness and Reporting System (AIRRS) as the accountable property system of record (APSR) to support its assertion for aircraft. However, AIRRS is not an APSR and does not meet the requirements in DoD Instruction 5000.64 "Accountability and Management of DoD

Equipment and Other Accountable Property,” May 19, 2011. AIRRS did not include valuation, depreciation, useful life, and general ledger classification. Navy FM&C relied on the Defense Property Accountability System for this information. Collectively, the two systems provide the required elements of an APSR. However, Navy FM&C did not identify, in its assertion, the Defense Property Accountability System as a system that provided data elements necessary in the reporting process and as required for an APSR.

Furthermore, Navy FM&C personnel did not coordinate the assertion package with the AIRRS Program Office to obtain the aircraft inventory. As a result, Navy FM&C reported an incorrect quantity of aircraft as of December 31, 2011, because personnel were not aware of the AIRRS reporting cycle. When developing the APSR for its aircraft, the Navy must include all systems that support the entire reporting cycle. The Navy can further demonstrate sustainability by documenting all systems used to support the requirements of an APSR, thus addressing the reporting control deficiency identified for aircraft.

We provided an advance copy of this report to the Assistant Secretary of the Navy (FM&C), who provided comments. We considered the comments and made changes as appropriate. This report is intended solely for the information and use of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, and the Assistant Secretary of the Navy (FM&C), and it is not intended to be and should not be used by anyone else. However, this report is a matter of public record, and its distribution is not limited.



Amy J. Frontz, CPA
Principal Deputy Inspector General
for Auditing



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