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June 29, 2006

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# Oversight Review

Report on Review of FY 2004 Single  
Audit of the Civil Air Patrol, Inc.  
(Report No. D-2006-6-004)

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Department of Defense  
Office of the Inspector General

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### **Acronyms**

GAS

Government Auditing Standards

OMB

Office of Management and Budget

WPBB&B

Wilson, Price, Barranco, Blankenship & Billingsley, P.C.



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

JUN 29 2006

Audit Committee  
Civil Air Patrol, Inc.

Chief Financial Officer  
Civil Air Patrol, Inc.

Wilson, Price, Barranco, Blankenship & Billingsley, P.C.

SUBJECT: Report on Review of FY 2004 Single Audit of the Civil Air Patrol, Inc.  
Report No. D-2006-6-004 (Project No. D2006-DIP0AC-0146)

We are providing this report for your information and use. As the oversight Federal agency for the Civil Air Patrol, Inc., we performed a review of the Wilson, Price, Barranco, Blankenship & Billingsley, P.C. (WPBB&B) single audit report and supporting workpapers for the fiscal year ending September 30, 2004, to determine whether the audit was conducted in accordance with Government Auditing Standards (GAS) and the auditing and reporting requirements of Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" (Circular A-133). Appendix A contains the scope and methodology for the review and Appendix B shows the applicable compliance requirements.

The Civil Air Patrol is a private, nonprofit civilian auxiliary of the United States Air Force and is organized into eight geographic regions. The regions are subdivided into wings located in the 50 States, the District of Columbia, and the Commonwealth of Puerto Rico. The Civil Air Patrol expended \$30.9 million under Cooperative Agreement F41689-00-2-001 in FY 2004.

**Review Results.** In all material respects, the WPBB&B auditors met GAS and OMB Circular A-133 requirements for the FY 2004 single audit, and the Civil Air Patrol generally complied with OMB Circular A-133 reporting requirements except that the FY 2004 reporting package did not include all prior audit findings from the FY 2002 audit as required by OMB Circular A-133. As a result, the auditors did not perform followup procedures to determine the status of the Civil Air Patrol's corrective actions on the FY 2002 Federal program findings. The Defense Contract Audit Agency performed part of the FY 2002 Federal program audit and reported 11 findings that required corrective actions. OMB Circular A-133 § .315(b) requires that the status of audit findings from the prior two single audit reports be included in the current year Summary Schedule of Prior Year Audit Findings. The purpose of the Summary Schedule of Prior Year Audit Findings is to provide information for report users to track the status of corrective actions and to facilitate performance of OMB Circular A-133 audit followup procedures. Based on discussions with the Civil Air Patrol, we believe this was an inadvertent omission due in part to the FY 2003 change in auditors for the Federal program audit.

**Recommendation.** We recommend that the Chief Financial Officer of the Civil Air Patrol include all FY 2002 audit findings reported by the Defense Contract Audit Agency in the Summary Schedule of Prior Year Audit Findings for use in the

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FY 2005 single audit, and ensure that the auditors perform the required followup audit procedures on all prior audit findings.

**The Civil Air Patrol Comments:** The Civil Air Patrol concurred with our recommendation and has provided the WPBB&B auditors a status of DCAA's FY 2002 audit findings which will be included in the FY 2005 Summary Schedule of Prior Year Audit Findings. Management comments are included in its entirety at the end this report.

**Other Matters of Interest.** The WPBB&B auditors' workpaper documentation was concise and easy to follow and the report findings contained sufficient details for Civil Air Patrol and the Air Force to take the appropriate actions. However, to provide a better audit trail and avoid potential noncompliance with OMB Circular A-133 reporting requirements, the WPBB&B auditors should enhance audit documentation for the basis of compliance requirement applicability, audit followup procedures, and the evaluation of reported findings related to both the financial statements and Federal awards.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Ms. Janet Stern at (703) 604-8750 (DSN 664-8750) or Mr. Wayne Berry at (703) 604-8789 (DSN 664-8789). See Appendix C for the report distribution



Patricia A. Brannin  
Assistant Inspector General  
Audit Policy and Oversight

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# Appendix A. Quality Control Review Process

## Background, Scope, and Methodology

The Single Audit Act, Public Law 98-502, as amended, was enacted to improve the financial management of State and Local Governments and nonprofit organizations by establishing one uniform set of auditing and reporting requirements for all Federal award recipients required to obtain a single audit. OMB Circular A-133 establishes policies that guide implementation of the Single Audit Act and provides an administrative foundation for uniform audit requirements of non-Federal entities administering Federal awards. Entities that expend \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) are subject to the Single Audit Act and the audit requirements in OMB Circular A-133 and therefore must have an annual single or program-specific audit performed under Governmental Auditing Standards and submit a complete reporting package to the Federal Audit Clearinghouse.

We reviewed the WPBB&B, P.C., audit of the Civil Air Patrol for FY 2004 and the resulting reporting package that was submitted to the Federal Audit Clearinghouse dated August 5, 2005, using the 1999 edition of the “Uniform Quality Control Guide for the A-133 Audits” (the Guide). The Guide applies to any single audit that is subject to the requirements of OMB Circular A-133 and is the approved President’s Council on Integrity and Efficiency checklist used for performing the quality control reviews. We performed the review from March through June 2006. The review focused on the following qualitative aspects of the single audit:

- Qualification of Auditors,
- Independence,
- Due Professional Care,
- Planning and Supervision,
- Internal Control and Compliance Testing,
- Schedule of Expenditures of Federal Awards,
- Schedule of Findings and Questioned Costs,
- Summary Schedule of Prior Audit Findings, and
- Data Collection Form.

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## Appendix B. Compliance Requirements

The WPBB&B auditors determined that the following requirements are applicable to the Single Audit of the Civil Air Patrol for the fiscal year ended September 30, 2004.

Compliance Requirements	Applicable	Not Applicable
Activities Allowed/Unallowed	X	
Allowable Costs/Cost Principles	X	
Cash Management	X	
Davis-Bacon Act		X
Eligibility		X
Equipment and Real Property Management	X	
Matching, Level of Effort, Earmarking		X
Period of Availability of Federal Funds	X	
Procurement, Suspension, and Debarment	X	
Program Income	X	
Real Property Acquisition and Relocation Assistance		X
Reporting	X	
Subrecipient Monitoring		X
Special Tests and Provisions		X

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Wilson, Price, Barranco, Blankenship & Billingsley, P.C.

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House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Government Reform  
House Subcommittee on Government Efficiency and Financial Management  
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform  
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census





# Wilson, Price, Barranco, Blankenship & Billingsley, P.C. Comments



June 12, 2006

James W. Wilson, Sr.  
(1907-2000)  
John S. Price  
Louie E. Blankenship  
James B. Billingsley  
(1933-1997)

Carl A. Barranco  
Frank V. Lamar, Jr.  
Paul B. Fields  
William A. Newman, Jr.  
Thomas P. Gilliland  
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Thomas A. Ratcliffe, Ph.D.

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Department of Defense  
400 Army Navy Drive  
Arlington, VA 22202-4704

Attention: Ms. Felicia M Fuller, Single Audit Technical Specialist

Subject: Project No. D206-DIP0AC-0146  
Report on Quality Control Review of Wilson, Price, Barranco, Blankenship & Billingsley, P.C., Office of Management and Budget Circular A-133 Audit Report of Civil Air Patrol, Incorporated, Fiscal Year Ended September 30, 2004

We are in receipt of a discussion draft of a proposed report as referenced above and wish to thank the Department of Defense, Office of Inspector General for this opportunity to respond.

#### Recommendation:

Status of FY 2002 audit findings reported by the Defense Contract Audit Agency (DCAA)

We concur with this observation and recommendation that the FY 2003 single audit report should have included the status of the FY 2002 audit findings reported by DCAA. We agree with your observation that this omission of required follow-up in the 2003 single audit report was inadvertent. The Chief Financial Officer of Civil Air Patrol has fully responded to the FY 2002 findings as documented in the DCAA report dated September 2, 2004. This response is included in the 2005 audit report as "Summary Schedule of Prior Audit Findings – 2002 Defense Contract Audit Agency". Wilson Price has performed the required follow-up to these findings.

#### Other Matters of Interest:

We appreciate the observation that our workpaper documentation was concise and easy to follow. We also, greatly appreciate your suggestion for enhancing our audit

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June 12, 2006  
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documentation and have incorporated this suggestion in our 2005 single audit. Follow-up procedures and the evaluation of reported findings related to both financial statements and Federal awards are now prominently illustrated in one schedule located in a separate section of the file.

We understand and appreciate the role of the Office of Inspector General, one which ensures the quality and success of our profession. Thank you again for this opportunity.

Sincerely,

WILSON, PRICE, BARRANCO, BLANKENSHIP & BILLINGSLEY, PC

  
Billy Daniels, C.P.A.

BD\lw-CAP.dac\lresponse

# The Civil Air Patrol Comments



NATIONAL HEADQUARTERS  
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United States Air Force Auxiliary  
105 South Hansell Street  
Maxwell Air Force Base, Alabama 36112-6332

16 June 2006

Office of the Inspector General  
Department of Defense  
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Attention: Ms. Felicia M. Fuller, Single Audit Technical Specialist

Subject: Project No. D2006-DIP0AC-0146  
Report on Quality Control Review of Wilson, Price, Barranco, Blankenship &  
Billingsley, P.C., Office of Management and Budget Circular A-133 Audit Report of  
Civil Air Patrol, Incorporated, Fiscal Year Ended September 30, 2004

Civil Air Patrol has received a discussion draft of the proposed report prepared by the  
Department of Defense, Inspector General. We have reviewed the report and our  
comments are offered below.

Recommendation: The review of the Civil Air Patrol fiscal year 2004 audit disclosed that  
the corporation failed to respond to prior year audit findings resulting from the fiscal  
2002 Defense Contract Audit Agency Single Audit. Civil Air Patrol's management  
concurs with this finding and we have responded to each of the prior year's open audit  
findings in the fiscal 2005 Single Audit responses. Management would like to note that  
this omission was an oversight due to the change in auditors managing the Single Audit.  
We will ensure all responses on prior year findings are fully addressed in the future.

Civil Air Patrol sincerely appreciates the insight the DoDIG has provided to the  
corporation through the audit process. Thank-you for the professionalism and guidance  
provided during this review.

Very sincerely,

A handwritten signature in cursive script that reads "Don Rowland".

DON ROWLAND  
Executive Director

