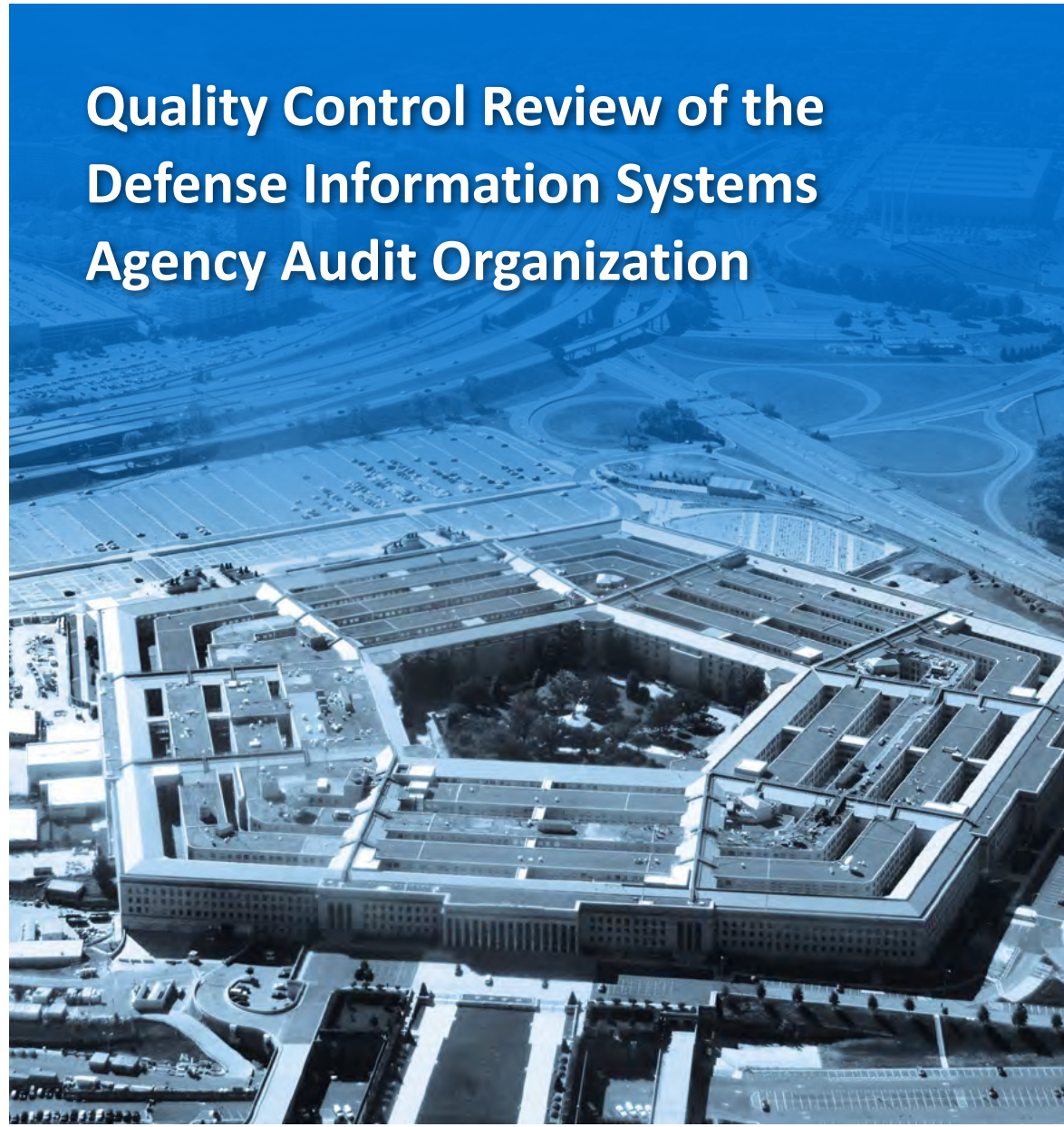




INSPECTOR GENERAL

U.S. Department of Defense

MARCH 23, 2015



Quality Control Review of the Defense Information Systems Agency Audit Organization

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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Vision

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**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

March 23, 2015

MEMORANDUM FOR DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY

SUBJECT: Quality Control Review of the Defense Information Systems Agency
Audit Organization (Report No. DODIG-2015-099)

We are providing this report for your information and use. We reviewed the Defense Information Systems Agency, Office of Inspector General (DISA OIG), audit organization's system of quality control in effect for the period ended May 31, 2014. A system of quality control for the DISA OIG's audit organization encompasses the audit organization's leadership, emphasis on performing high-quality work, and policies and procedures established to provide reasonable assurance of compliance with generally accepted government auditing standards (GAGAS). The DISA OIG's audit organization is responsible for designing a system of quality control and complying with its system to provide DISA management with reasonable assurance that its audits are performed and reported in accordance with GAGAS in all material respects. We conducted this quality control review in accordance with the Council of Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Inspection and Evaluation.

We tested the DISA OIG's audit organization's system of quality control to the extent we considered appropriate. GAGAS require that an audit organization performing audits or attestation engagements or both have an appropriate internal quality control system in place and undergo an external quality control review at least once every 3 years by reviewers independent of the audit organization being reviewed. An audit organization's quality control policies and procedures should be appropriately comprehensive and suitably designed to provide reasonable assurance that they meet GAGAS requirements for quality control.

Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail. In our opinion, the DISA OIG audit organization's system of quality control for audits was suitably designed in accordance with quality standards established by GAGAS; however, we identified significant deficiencies that existed in the audit organization's compliance with its system of quality control. The significant deficiencies identified do not provide DISA OIG management with reasonable assurance of performing and reporting in conformity with GAGAS in all material aspects. Accordingly, as a result of the significant deficiencies described in Appendix B, we are issuing a fail opinion on the DISA OIG audit organization's system of quality control used on audits for the review period ended May 31, 2014.

Appendix A discusses our review of the DISA OIG audit organization's system of quality control and Appendix B contains the deficiencies that resulted in the opinion. In addition, Appendix C contains other findings where the DISA OIG audit organization can improve its quality control

program related to auditing practices. Appendix D contains a summary of the results of our interviews with the DISA OIG audit staff. Appendix E contains the scope and methodology of the review. Appendix F contains the Notice of Concern for the DISA OIG reorganization impact on independence.

We appreciate the courtesies extended to the staff. For additional information on this report, please contact Ms. Carolyn R. Davis at (703) 604-8877 (DSN 664-8877) or Carolyn.Davis@dodig.mil.

A handwritten signature in black ink, appearing to read 'R. Stone', with a long horizontal line extending to the right.

Randolph R. Stone
Deputy Inspector General
Policy and Oversight

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Defense Information Systems Agency

Acronyms and Abbreviations



Introduction

Defense Information Systems Agency

The Defense Information Systems Agency (DISA) is a combat support agency that engineers and provides command and control capabilities and enterprise infrastructure to continuously operate and assure a global net-centric enterprise in direct support to joint warfighters, national-level leaders, and other mission and coalition partners across the full spectrum of operations. DISA is headquartered at Fort Meade, Maryland and employs about 15,000 military and civilian employees, and their contractor partners.

DISA Inspector General Audit Organization

The DISA Office of the Inspector General (OIG) is an independent office within DISA that conducts, supervises, monitors, and initiates audits, inspections, and investigations relating to programs and operations of DISA. DISA Instruction 100-45-1, "Office of the Inspector General of the Defense Information Systems Agency," dated December 6, 2012, establishes the mission of the OIG and delineates its responsibilities, functions, authorities, and relationships. The DISA OIG audit organization is located at headquarters and has a regional office at Scott Air Force Base in Illinois. The audit organization promotes continuous improvement in management controls by conducting audits and reviews of DISA operations and financial activities to evaluate operational efficiency and effectiveness, and performing follow-up procedures for prior audit recommendations. The DISA Inspector General reports to the Principal, Department of Defense Information Networks Readiness and Security Inspections (DoDIN R&SI). Additional details on the DISA OIG audit organization and the scope and methodology for this review are in Appendix E.

Appendix A

System of Quality Control

With the exception of one area, the DISA OIG audit organization's system of quality control was suitably designed. Since their last quality control review for the period ended March 31, 2011, the DISA OIG addressed our recommendations to update the DISA OIG Audit Handbook (the Audit Handbook) to include policies and procedures that explain:

- the process for notifying entity management when an impairment to independence is identified after the audit report is issued and
- how the audit organization documents and tracks formal continuing professional education and training.

The Audit Handbook contains policies and procedures that establish internal guidance and audit requirements, and if properly followed, would provide reasonable assurance that generally accepted government auditing standards (GAGAS) would be met. The DISA OIG audit organization performed work and issued reports covered in our review pursuant to the March 2011 version of the Audit Handbook. The Audit Handbook was updated in July 2014 to reflect current guidance and address recommendations from its last quality control review.

In one area, the Audit Handbook does not contain specific policies and procedures for identifying laws, regulations, and other criteria that are significant in relation to the audit objectives. Specifically, the Audit Handbook does not contain procedures for audit staff to identify and document the relevant criteria. Also, the Audit Handbook does not contain procedures for documenting criteria and discussions with management for assistance in identifying criteria. Adding policies and procedures to the Audit Handbook for this area will assist DISA OIG management in ensuring that auditors are fully aware of their responsibilities when performing work under GAGAS.

Management Actions Taken

On January 6, 2015, the DISA OIG revised the Audit Handbook. The revisions contain the procedures for audit staff to identify laws, regulations, and other criteria that are relevant and significant to the audit objectives. The Audit Handbook also contains procedures for documenting criteria and assistance received from management in obtaining the relevant criteria.

Appendix B

Significant Deficiencies that Were the Basis for the Opinion Rendered

We identified significant deficiencies that existed in the audit organization's compliance with its system of quality control. GAGAS 3.83 states that an audit organization's system of quality control encompasses the audit organization's leadership, emphasis on performing high-quality work, and the organization's policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements. The significant deficiencies identified do not provide the DISA OIG audit organization with reasonable assurance of performing and reporting in conformity with GAGAS in all material respects. Therefore, we are issuing a fail opinion on its external quality control review.

We assessed one of the three audit reports in our sample for compliance with the 2007 revision of GAGAS because the audit began before the GAGAS 2011 requirements were implemented. We did not identify any significant issues for this report that was issued under the 2007 revision of GAGAS. However, we identified issues with the other two audit reports that are applicable under the 2011 revisions of GAGAS.

Significant deficiencies affecting our opinion on the DISA OIG audit organization's compliance with its system of quality control are:

- DISA OIG was not independent in the performance of a nonaudit service;
- DISA OIG was not independent in performing an audit in accordance with GAGAS;
- DISA OIG did not exercise professional judgment to apply safeguards that mitigate independence impairments; and
- There was a lack of initial and final supervisory reviews of working papers significant to findings and conclusions.

These significant deficiencies were the basis for the opinion and our concerns about the audit organization's inability to comply with the DISA OIG quality control system to provide reasonable assurance of compliance with GAGAS.

Implementing the recommendations identified in this report will assist the DISA OIG audit organization's efforts in following its system of quality control thereby helping to ensure compliance with GAGAS requirements.

Independence

DISA OIG Did Not Assess Impact of Nonaudit Services to Independence

The auditors did not apply the GAGAS conceptual framework approach to independence in the performance of a nonaudit service. Specifically, the DISA OIG audit organization performed a nonaudit service and did not adequately respond to identified threats to independence. GAGAS 2.13 states that when audit organizations provide nonaudit services to entities for which they also provide GAGAS audits, they should assess the impact that providing those nonaudit services may have on auditor independence. In addition, GAGAS 2.13 states that the audit organization should assess the impact to their organization and respond to any identified threats to independence. The Audit Handbook states that if nonaudit services are not prohibited, audit management should determine whether a threat to independence exists, address any threats, and document their assessment in the project file.

Based on our review, we determined that the DISA OIG audit organization did not adequately address identified threats to independence for Project 2013-H-301 “Letter Report Review of DISA Interservice and Intragovernment Support Agreements.” This project began as an audit on March 7, 2013, with the Chief Financial Executive/Comptroller (CFE) designated as the audit client. In May 2013, the CFE Comptroller was assigned to be the Acting DISA IG. The DISA OIG audit staff recognized that this created a threat to independence. The audit staff noted in their audit documentation that the Acting DISA IG was not to be involved in the project.

However, the former Acting DISA Inspector General (IG) was involved in making management decisions during the audit, thus creating an independence impairment. Specifically, the DISA OIG audit staff held a meeting with the Acting DISA IG in January 2014. In this meeting, the Acting DISA IG directed audit staff to revise the draft report with new conclusions. In addition, the DISA IG Liaison Staff expressed concerns over working papers, DISA OIG audit management, and the length of time it was taking to complete this audit. These concerns were brought to the attention of the Acting DISA IG in March 2014. As a result, the Acting DISA IG removed the supervisor and assigned a new supervisor to complete the project. The Acting DISA IG participated in discussions to issue the report as a nonaudit service to ensure the report could be issued in a timely manner.

In addition to not following the GAGAS independence conceptual framework, the DISA OIG audit organization did not follow its policies in conducting nonaudit services. The Audit Handbook states that when audit management issues a report

on a nonaudit service, the report must clearly indicate that it is not an “audit” or “evaluation” and that the work was not done according to GAGAS. The report memorandum did not state that this was not an audit and the work was not done in accordance with GAGAS. In fact, we did not find any indication where the audit staff informed the CFE Comptroller of the decision to change this from an audit to a nonaudit service.

DISA OIG Was Not Independent While Performing an Audit

For one of three audits reviewed (Report No. 2014-02, “Limited Scope Audit of DISA Working Capital Fund, Fund Balance with Treasury”), April 4, 2014, the auditors did not apply the GAGAS conceptual framework approach to independence. GAGAS 3.04 states auditors and audit organizations maintain independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Further, auditors should avoid situations that could lead reasonable and informed third parties to conclude that the auditors are not independent and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the audit and reporting on the work.

The DISA OIG audit organization should avoid situations that could lead a reasonable and informed third party to conclude that the Acting DISA IG is not independent. The DISA IG was the CFE Comptroller when this audit began and was assigned to the Acting DISA IG position during this audit. The Acting DISA IG recused himself from this audit. The audit staff agreed with his recusal from all activities associated with the audit. However, the Acting DISA IG attended the exit conference and facilitated management comments and tentative findings. These actions could be viewed as an independence impairment by reasonable and informed third parties.

Professional Judgment

DISA OIG Did Not Exercise Professional Judgment

For one audit and one nonaudit service, the DISA OIG staff did not exercise professional judgment. GAGAS 3.64 states that using professional judgment is important to auditors in carrying out all aspects of their professional responsibilities, including following the independence standard and maintaining objectivity and credibility. The DISA OIG audit organization did not follow independence standards for an audit and a nonaudit service, as such, they did not exercise professional judgment. The DISA audit staff recognized the threats to independence that having the Acting DISA IG involved would have on the audit but did not exercise professional judgment to apply safeguards that

would have mitigated the independence impairments. GAGAS 3.17 provides examples of safeguards including removing an individual from an audit team when that individual's financial or other interests or relationships pose a threat to independence.

The audit staff recognized that the Acting DISA IG should not have been involved in the audit. However, the audit staff should have applied better professional judgment and documented the independence impairment in the working papers or in the final audit report.

Supervisory Reviews

DISA OIG Lacked Supervisory Reviews

For two of the three projects reviewed, inadequate supervision contributed to the deficiencies associated with each project. GAGAS 6.83c states that auditors should document supervisory review, before the audit report is issued, of the evidence that supports the findings, conclusions, and recommendations contained in the audit report. For Report No. 2014-04, the "Audit of DISA's Capital Asset Corrective Action Plan," May 30, 2014, we found that the supervisor did not sign 51 of the 53 total working papers. In addition, one working paper that was reviewed was a quality control review checklist and it was not approved by a supervisor until after the final report was issued. During our interviews with the audit staff, we found that the staff was aware that the supervisor was not signing off on working papers as required. The auditors stated that the supervisor believed it wasn't his responsibility to review working papers. The supervisor stated that competing priorities prevented him from reviewing the working papers on a timely basis.

GAGAS 6.54 states that audit supervision involves providing sufficient guidance and direction to staff assigned to the audit to address the audit objectives and follow applicable requirements, while staying informed about significant problems encountered, reviewing the work performed, and providing effective on the job training. In addition, the Audit Handbook states supervisory reviews should be evident throughout each phase of the audit.

For Report No. 2014-02, we did not find evidence of supervisory review until the reporting phase of the project; therefore, sufficient guidance and direction to the audit staff was not present. The lack of supervisory reviews led to delays in this project. Specifically, the draft report was scheduled to be issued on November 1, 2013. However, the draft report was actually issued on March 5, 2014. In December 2013, DISA OIG Senior Management assigned a new supervisor to complete the audit and issue the audit report. As a result of this late change

in supervision, we found many instances when it took a supervisor more than two months to ensure the completion and review of the staff's working papers. Although there was evidence of supervisory review because of the change in supervision, the supervisory review was not present throughout the audit.

Recommendation, Management Comments, and Our Response

Recommendation 1

We recommend that the Director, DISA take action to improve the audit organization's understanding of, and compliance with, the following GAGAS standards: independence, professional judgment, and supervision. Actions should include:

- **Training to improve the audit organization's understanding and knowledge of the previously discussed GAGAS standards.**
- **Emphasizing these GAGAS standards in the next DISA OIG Quality Assurance Review.**

DISA Comments

The Director, DISA agreed. The DISA OIG will provide in-house training to improve their understanding of the discussed GAGAS standards. DISA will emphasize these standards in the next DISA OIG Quality Assurance Review.

Our Response

DISA comments were responsive to the recommendation. No additional comments are needed.

Appendix C

Other Findings that Warrant Disclosure

The DISA OIG's audit organization's performance during the audits reviewed showed evidence of noncompliance in two GAGAS areas; independence and supervision in the area of project documentation. The following areas of noncompliance did not affect the opinion rendered, but warranted disclosure due to their relative importance to the audit organization's system of quality control.

Independence

On January 8, 2015, we issued a notice of concern* advising the Director, DISA that the reorganization of DISA may affect auditor independence and the impact of audit reports that the DISA OIG issues. The DISA OIG reports directly to the Principal, DoDIN R&SI. This DISA reorganization presents a structural threat to independence as defined in GAGAS 3.14g. Appendix F contains the notice of concern with a recommendation for the Director, DISA.

Supervision

For Report No. 2012-02, "Terminal Audit of DISA Welfare and Recreation Association," May 3, 2013, the audit staff completed planning working papers after the final report was issued on May 3, 2013. The working papers were completed as a result of deficiencies identified during the internal quality review of this report in the 2014 DISA OIG Internal Quality Assurance Program. The Internal Quality Assurance Program identified working papers that were missing from the project files. On July 18, 2014, the auditors completed the working papers, contained in a post-audit working paper folder, to determine whether three auditors met specific training requirements to perform the audit. After the final report was issued, the auditors also completed a working paper to determine whether the assistance of an external specialist was necessary.

* A Notice of Concern is issued to alert DoD management of significant findings that require immediate attention. By issuing a notice of concern, DoD management officials can take proactive steps to mitigate the reported issue.

The Audit Handbook states that supervision must be completed on all project documentation before the final report is issued. Also, the Audit Handbook states that it is ultimately audit management's responsibility to supervise staff, ensure the working papers have been prepared, and collect the associated supporting documentation.

Recommendation, Management Comments, and Our Response

Recommendation 2

We recommend that the Chief, DISA OIG Audit Division take additional steps to ensure the audit staff prepares and reviews working papers in a timely manner before the final audit reports are issued.

DISA Comments

The Director, DISA agreed. The DISA OIG will update the Audit Handbook to include the Independent Reference Review Checklist to ensure that all working papers have been reviewed prior to releasing the final audit report. In addition, the Director, DISA agreed with our recommendation in the Notice of Concern to restructure the organization so that the DISA OIG reports directly to the DISA Director/Vice Director.

Our Response

DISA comments were responsive to this recommendation and the recommendation in the Notice of Concern. No additional comments are needed.

Appendix D

Summary of the Results of Our Interviews

We interviewed 10 DISA OIG audit staff and managers to determine their knowledge of DISA IG audit policies and procedures and GAGAS. Table D contains a summary of the results of the responses received.

Table D. Summary of Responses Received

Areas Pertaining to DISA IG Audit Policies and GAGAS Standards	Staff Responses to Questions
Awareness of DISA IG Audit Policies	The staff stated they were aware of the audit policies, specifically the Audit Handbook.
Compliance with GAGAS	The staff stated that their work complied with GAGAS standards.
Independence	Most staff did not encounter any external or organizational independence impairments when performing their work.* All staff stated that they did not perform any nonaudit services that could impact independence.
Competence	Staff responses indicated that the competency requirement was fulfilled.
Quality Control and Assurance	The staff members were knowledgeable about quality control and assurance procedures.
Planning (Risk Assessments)	Most staff involved with planning stated that they completed risk assessments for audits.
Supervision	Staff and management stated that they received or provided adequate supervision.
Audit Documentation	Staff provided examples of processes performed to ensure that audit reports are properly supported.
Evidence	Staff provided examples of processes performed to ensure that audit evidence is supported in the final report.
Reporting (Timeliness)	Staff and managers provided examples of procedures in place to ensure the information in reports is current and relevant. The audit organization’s goal is to complete audits within 180 days.

*DISA OIG reviewed one audit, the “Terminal Audit of DISA Welfare and Recreation Association,” in their 2014 Internal Quality Assurance Program. One staff member stated that audit management requested revisions to a working paper to eliminate findings in the 2014 DISA IG Internal Quality Assurance Program. The findings removed did not impact the conclusions documented in the 2014 DISA IG Internal Quality Assurance Program. We reviewed this audit report as part of the quality control review. We found that the findings and conclusions reached by DISA OIG are consistent with our review of this audit report.

Appendix E

Scope and Methodology

We reviewed five audit projects, which included three completed audits and two terminated audits, to assess the adequacy of the DISA OIG audit organization's compliance with quality control policies, procedures, and standards. In performing our review, we considered the requirements of quality control standards contained in the July 2007 and December 2011 Revision of GAGAS issued by the Comptroller General of the United States.** GAGAS 3.96 (2011 revision) states:

The audit organization should obtain an external peer review at least once every 3 years that is sufficient in scope to provide a reasonable basis for determining whether, for the period under review, the reviewed audit organization's system of quality control was suitably designed and whether the audit organization is complying with its quality control system in order to provide the audit organization with reasonable assurance of conforming with applicable professional standards.

We performed this review from July 2014 to November 2014 in accordance with standards and guidelines established in the March 2009, updated November 2012, Council of Inspectors General on Integrity and Efficiency (CIGIE) Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General. We performed this review in accordance with the Quality Standards for Inspections and Evaluations. In performing this review, we assessed, reviewed, and evaluated audit documentation for completed and terminated audits, interviewed DISA OIG audit staff, and reviewed DISA OIG policy. The Audit Handbook, July 2014 version, was the policy and guidance document that was reviewed. We also reviewed the March 2011 version of the Audit Handbook for the audits that were issued pursuant to this version.

We selected 3 reports from a universe of 10 reported issued by the DISA OIG during the period of March 31, 2011 through May 31, 2014. The DISA reorganization occurred on August 1, 2014, after the period of this quality control review. However, we determined the reorganization and its impact on independence is a significant finding that requires immediate management attention. Appendix F contains the notice of concern for the DISA OIG reorganization impact on independence.

** The 2011 revisions of GAGAS apply to performance audits beginning on or after December 15, 2011. Of the three completed projects we reviewed, one began prior to December 15, 2011 and two began after December 15, 2011.

We tested the three projects for compliance with the DISA OIG audit organization’s system for quality control for audits and attestation engagements. In selecting the reports, we worked with the DISA OIG audit organization to establish the universe of reports that were issued during the review period. We then selected the three most recent reports that were issued since the prior review period ended March 31, 2011.

Also, we reviewed the audit documentation for all the audits that were terminated during the review period to determine whether the DISA OIG audit staff documented the results of the work to the date of the termination and why the audit was terminated. We also reviewed the method used to communicate the reason for terminating the audit to those charged with governance and appropriate officials of the audited entity. We determined the audits were terminated in accordance with the DISA OIG’s policies and procedures.

The following table identifies the specific audit projects reviewed. The Type of Review column contains information that was determined by the report GAGAS compliance statement and/or the type of review described in the final report.

Table E.1. Completed Audit Projects

Project Number	Audit Office	Report Title and Issue Date	Type of Review
2013-H-101	DISA IG Headquarters	Audit of DISA’s Capital Asset Corrective Action Plan	Performance
2011-H-502	DISA IG Headquarters	Terminal Audit of DISA Welfare and Recreation Association	Performance
2013-H-504	DISA IG Regional Office	Limited Scope Audit of DISA Working Capital Fund, Fund Balance with Treasury	Performance

Table E.2. Terminated Audits

Audit Title and Project Code	Date Audit Was Announced	Date Audit Was Terminated
Audit of Contracting Officer’s Representative (COR)/Task Monitor (TM) Designation and Contract Oversight (Project Code: 2011-D-301)	September 8, 2011	October 10, 2012
Audit of DISA Reports of Survey Process (Project Code: 2012-H-101)	October 21, 2011	October 24, 2012

Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of noncompliance because we based our review on selective tests. There are inherent limitations in considering the potential effectiveness of any quality control system. Departures from GAGAS can result from misunderstood instructions, mistakes in judgment, carelessness, or other human errors. Projecting any evaluation of a quality control system into the future is subject to the risk that one or more procedures may become inadequate because conditions may change or the degree of compliance with procedures may deteriorate.

Appendix F

Notice of Concern



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

JAN 08 2015

MEMORANDUM FOR DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY

SUBJECT: Notice of Concern –Defense Information Systems Agency Office of Inspector General (DISA OIG) Reorganization Impact on Independence (Project No. D2014-DAPOLA-0193.000)

The reorganization of the Defense Information Systems Agency (DISA) may affect the independence and the impact of audit reports that the DISA OIG issues. GAGAS 3.31 states that internal auditors who work under the direction of the audited entity are considered independent if the head of the organization is accountable to the head or deputy head or those charged with governance; reports the audit results to the head or deputy head of the government entity and to those charged with governance; is located organizationally outside the staff or line-management function of the unit under audit; has access to those charged with governance; and is sufficiently removed from political pressures to conduct audits and report findings, opinions, and conclusions objectively without fear or reprisal. In addition, DoD Directive 5106.04 states that Defense IGs will report directly to either the commander or director of their DoD Component, or its deputy commander or deputy director. The IG command and reporting relationship may not be further delegated.

On August 1, 2014, DISA reorganized to establish the Department of Defense Information Networks Readiness and Security Inspections (DoDIN R&SI) Directorate. The mission of the DoDIN R&SI includes investigations, inspections, and audits relating to the prevention and detection of fraud, waste, and abuse in the DISA operations and programs. Also, the DoDIN R&SI plans, develops, and executes the DoDIN readiness and security inspections program. The DISA OIG reports directly to the Principal, DoDIN R&SI. Before the reorganization, the DISA OIG reported to the Director/Vice Director, DISA. The DISA reorganization presents a structural threat. As defined in GAGAS 3.14g, a structural threat is the threat that an audit organization's placement within a government entity, in combination with the structure of the government entity being audited, will impact the audit organization's ability to perform work and report results objectively. As stated further in GAGAS 3.15, a circumstance resulting in a structural threat to independence may also expose auditors to undue influence and management participation threats.

To comply with DoD Directive 5106.04 and GAGAS requirements, we recommend the Director, DISA, restructure the organization so that the DISA OIG reports directly to the DISA Director/Vice Director.

We issue a notice of concern to alert the DoD management of significant findings that require immediate attention. The finding that generated this notice of concern and any corrective action taken by management will be included in an upcoming DoD Office of Inspector General draft report.

Notice of Concern (cont'd)

Please provide a written response to the above recommendations by January 23, 2015. Direct any questions to me or Ms. Carolyn R. Davis at (703) 604-8877 (DSN 664-8877), Carolyn.Davis@dodig.mil.



Randolph R. Stone
Deputy Inspector General
Policy and Oversight

Management Comments

Defense Information Systems Agency



DEFENSE INFORMATION SYSTEMS AGENCY
P. O. BOX 549
FORT MEADE, MARYLAND 20755-0549

FEB 18 2015

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR POLICY AND
OVERSIGHT, OFFICE OF THE INSPECTOR GENERAL,
DEPARTMENT OF DEFENSE

SUBJECT: Response to Department of Defense Inspector General (DoDIG) Draft Report –
*Quality Control Review of the Defense Information Systems Agency Audit
Organization*, dated January 26, 2015 (Project No. D2014-DAP01A-0193.000)

I thank the Department of Defense Inspector General audit team for the opportunity to participate in this peer review and to offer comments to your draft report. The DISA team has reviewed the draft report referenced above, and I provide our concurrences and comments as attached.

In addition, I have reviewed your Notice of Concern memorandum dated January 8, 2015. In accordance with your recommendation, I will properly adjust the reporting relationship of the DISA OIG to ensure the proper alignment with the Director/Vice Director of DISA, to ensure independence of this important function within this Agency in accordance with DoDD 5106.04. My staff will present me with a realignment plan to affect this recommendation within 30 days.

We look forward to working with you and your staff, as we implement the measures necessary to pass subsequent reviews. Any questions your staff may have concerning matters for the recommendations should be directed to [REDACTED]


RONNIE D. HAWKINS, JR.
Lieutenant General, USAF
Director

Attachment:
As stated

Defense Information Systems Agency (cont'd)

Attachment:

Defense Information Systems Agency (DISA) Office Inspector General (OIG) responses to the *Draft Report for Quality Control Review of the Defense Information systems Agency Audit Organization*, January 26, 2015
(Project No. D2014-DAP01A-0193.000)

We have concurred with and have described our implementation methodology below for each recommendation addressed in the DoDIG draft report on the “Quality Control Review of the Defense Information Systems Agency Audit Organization.”

RECOMMENDATION 1. Take action to improve the audit organization’s understanding of, and compliance with, the following Generally Accepted Government Auditing Standards (GAGAS): independence, professional judgment, and supervision.

1.a. Actions should include training to improve the audit organization’s understanding and knowledge of the following GAGAS standards: independence, professional judgment, and supervision.

DISA RESPONSE: *Concur*

DISA IG will conduct training with 100% of the audit staff to improve the audit organization’s understanding and knowledge of the following GAGAS standards: independence, professional judgment, and supervision. Training attendance and material will be documented and provided as support for closure of this recommendation.

Estimated Completion Date: March 31, 2015

1.b. Actions should include emphasizing GAGAS standards for independence, professional judgment, and supervision in the next DISA OIG Quality Assurance Review.

DISA RESPONSE: *Concur*

DISA IG will emphasize the following GAGAS standards in the next DISA OIG Quality Assurance Review: independence, professional judgment, and supervision. Results of the next DISA OIG Quality Assurance Review with emphasis on independence, professional judgment, and supervision will be provided to the DoDIG as support for closure of this recommendation.

Estimated Completion Date: July 31, 2015

RECOMMENDATION 2. Take additional steps to ensure the audit staff prepares and reviews working papers in a timely manner before the final audit reports are issued.

DISA RESPONSE: *Concur*

DISA IG will ensure the audit staff prepares and reviews working papers in a timely manner before final audit reports are issued. The DISA Audit Handbook will be updated to add a step to the Independent Reference Review (IRR) Checklist which will include performing independent

Defense Information Systems Agency (cont'd)

confirmation that all Workpapers have been signed off by a supervisor prior to releasing the final audit report.

Estimated Completion Date: March 31, 2015

Defense Information Systems Agency (DISA) Office Inspector General (OIG) responses to the *Draft Report for Quality Control Review of the Defense Information Systems Agency Audit Organization*, January 26, 2015

DODIG NOTICE OF CONCERN dated January 8, 2015.

RECOMMENDATION: Restructure the organization so that the DISA OIG reports directly to the DISA Director/Vice Director.

DISA RESPONSE: *Concur*

The DISA Director will ensure that the DISA OIG reports directly to the DISA Director/Vice Director.

Estimated Completion Date: March 25, 2015

Acronyms and Abbreviations

CFE	Chief Financial Executive/Comptroller
CIGIE	Council of Inspectors General on Integrity and Efficiency
DISA	Defense Information Systems Agency
DoDIN	Department of Defense Information Networks
GAGAS	Generally Accepted Government Auditing Standards
IG	Inspector General
OIG	Office of the Inspector General
RSI	Readiness and Security Inspections



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