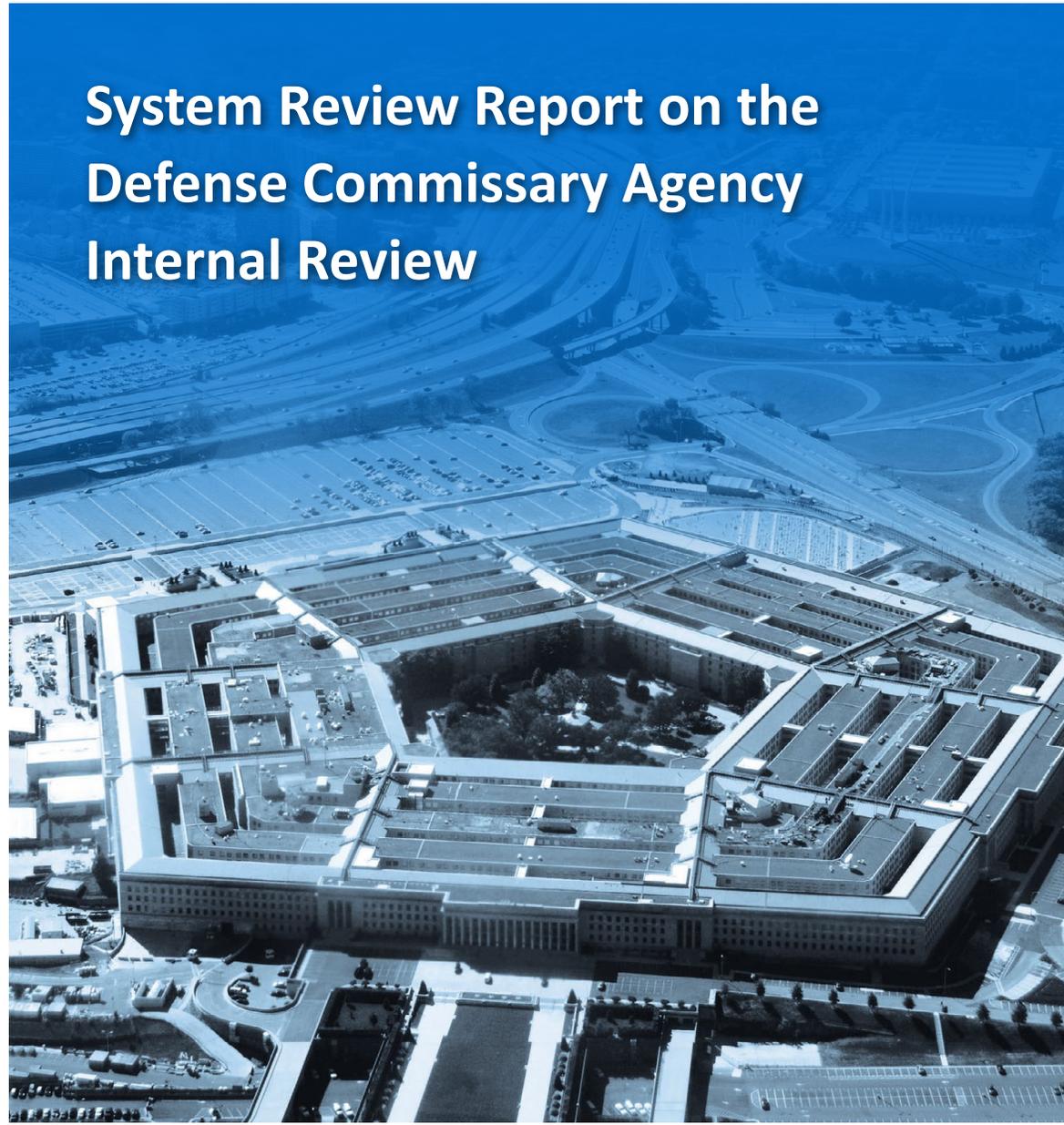




# INSPECTOR GENERAL

*U.S. Department of Defense*

DECEMBER 13, 2018



## System Review Report on the Defense Commissary Agency Internal Review

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





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

December 13, 2018

MEMORANDUM FOR DIRECTOR, DEFENSE COMMISSARY AGENCY  
DEPUTY DIRECTOR, DEFENSE COMMISSARY AGENCY  
CHIEF, DEFENSE COMMISSARY AGENCY INTERNAL REVIEW

SUBJECT: System Review Report on the Defense Commissary Agency Internal Review  
(Report No. DODIG-2019-035)

We are providing this report for your information and use. We conducted this peer review from January 2018 through November 2018 in accordance with the *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.

Enclosure 1 of the report identifies the scope and methodology for the review. We considered management comments on a draft of this report when preparing the final report. Comments from the Defense Commissary Agency addressed all specifics of the recommendations and conformed to the requirements of DoD Instruction 7650.03; therefore, we do not require additional comments.

If you have any questions, please contact Carolyn R. Hantz at (703) 604-8877 or e-mail at [Carolyn.Hantz@dodig.mil](mailto:Carolyn.Hantz@dodig.mil). We appreciate the cooperation and assistance received during the peer review.

A handwritten signature in black ink, appearing to read "Randolph R. Stone", is positioned above the printed name.

Randolph R. Stone  
Deputy Inspector General  
Policy and Oversight

Enclosures:  
As stated





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

December 13, 2018

MEMORANDUM FOR DIRECTOR, DEFENSE COMMISSARY AGENCY  
DEPUTY DIRECTOR, DEFENSE COMMISSARY AGENCY  
CHIEF, DEFENSE COMMISSARY AGENCY INTERNAL REVIEW

SUBJECT: System Review Report on the Defense Commissary Agency Internal Review  
(Report No. DODIG-2019-035)

We reviewed the system of quality control for the internal audit organization Defense Commissary Agency (DeCA) Internal Review (IR) in effect for the period ending January 31, 2018. The system of quality control includes DeCA IR's organizational structure and policies adopted and procedures established to provide it with reasonable assurance of conforming to *Government Auditing Standards* (GAS). The elements of quality control as described in GAS 3.83 include the audit organization's leadership, emphasis on performing high quality work, and policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements.

DeCA IR is responsible for establishing and maintaining a system of quality control that is designed to provide it with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and DeCA IR's compliance with standards and requirements based on our review.

We conducted our review in accordance with GAS and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed DeCA IR personnel and obtained an understanding of the nature of DeCA IR's organization and the design of its system of quality control sufficient to assess the risks implicit in its organization. We selected audits and administrative files to test for conformity with professional standards and compliance with DeCA IR's system of quality control. Our review period for audits was February 1, 2017 through January 31, 2018. We selected the only two audit reports that were issued during that time frame. Before concluding the peer review, we discussed the results of the peer review with DeCA IR management. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the DeCA IR audit organization. In addition, we tested compliance with DeCA IR's quality control policies and procedures to the extent that we considered appropriate. These tests covered the application of DeCA IR's policies and procedures on selected audits. The enclosure of the report describes the scope and methodology to include the only two audit reports. 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.

There are inherent limitations in the effectiveness of any system of quality control. 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 inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, as a result of the significant deficiencies described in the report, the system of quality control for DeCA IR in effect for the period ending January 31, 2018, was not suitably designed and complied with to provide DeCA IR with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. DeCA IR has received a rating of *fail*.

## Independence

### ***Deficiency 1. The Organizational Placement of the DeCA IR Audit Organization and the Lack of Safeguards Creates a Potential Structural Threat to Independence***

The organizational placement of DeCA IR and the lack of safeguards creates a potential structural threat to the audit organization's independence, which may affect the ability of DeCA IR to perform audit work and report results objectively. Furthermore, the current organizational reporting structure of DeCA IR is in violation of its own policies.

GAS 3.14g states that a structural threat occurs when 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.<sup>1</sup> In addition, GAS 3.31 states that an audit entity's management is considered independent for the purposes of reporting internally if the head of the audit organization is located organizationally outside the staff or line-management function of the unit under audit.

---

<sup>1</sup> GAS 3.13 states that threats to independence are circumstances that could impair independence. Whether independence is impaired depends on the nature of the threat, whether the threat is of such significance that it would compromise an auditor's professional judgment, or create the appearance that the auditor's professional judgment may be compromised, and on the specific safeguards applied to eliminate the threat or reduce it to an acceptable level. Threats do not necessarily impair independence.

We identified a potential structural threat, as defined by GAS 3.14g, when the DeCA IR audit organization was aligned to report to the Deputy Director, who is also the Chief Operating Officer (COO). The Deputy Director as the COO has the operating divisions and DeCA IR audit organization reporting to him. The DeCA operating divisions are subject to DeCA IR audits.

For example, in the DeCA IR CCIA 15-02, Government Purchase Card Program audit, the following operating divisions were audited: Infrastructure Support Group, Sales Marketing and Policy, Store Operations Group, and Resource Management Directorate. Each operating division reported to the Deputy Director. This position could impact DeCA IR's ability to maintain independence so that their opinions, findings, conclusions, judgments, and recommendations are impartial and viewed as impartial by reasonable and informed third parties.

We did not find evidence that the two audits reviewed had been unduly influenced or compromised. As a result, we did not conclude that DeCA IR's independence was impaired; however, DeCA IR did not establish GAS required safeguards to ensure that the threat was eliminated or reduced to an acceptable level.

The DeCA IR Chief in conjunction with DeCA management should have taken additional measures to mitigate the potential structural threat and formally document the measures that would be taken with any audits involving the Deputy Director's responsibilities that could potentially impair the DeCA IR auditors and its organization.

In accordance with GAS 3.16, DeCA IR should have, at a minimum, developed safeguards by establishing and documenting procedures for:<sup>2</sup>

- resolving disputed findings;
- resolving potential disagreements between the Deputy Director and the DeCA IR Chief;
- elevating the DeCA IR Chief's concerns directly to the Director and the Chairman of the Board of Directors, when appropriate;<sup>3</sup>
- obtaining input and approval from the Director concerning the annual audit plans; and
- regularly discussing audit results directly with the Director and the Chairman of the Board of Directors.

---

<sup>2</sup> GAS 3.16 states that safeguards are controls designed to eliminate or reduce to an acceptable level threats to independence. Under the conceptual framework, the auditor applies safeguards that address the specific facts and circumstances under which threats to independence exist. In some cases, multiple safeguards may be necessary to address a threat.

<sup>3</sup> The Chairman of the Board of Directors is responsible for representing the Board in fulfilling its responsibilities to provide advice and assistance on the governance of DeCA, in accordance with section 2485(c)(3), Title 10, United States Code.

In addition, the DeCA Directive (DeCAD) 90-5, “Internal Audit Activities,” and the DeCA Internal Audit Manual (DeCAM) 90-5.1 require the DeCA IR Chief to report to the DeCA Director. Further, the DeCAD 90-5 and the DeCAM 90-5.1 did not document the responsibilities and duties of the Deputy Director and the COO position. Therefore, the current DeCA IR organizational reporting structure violates DeCA’s policies.

DeCA IR should put in place safeguards to mitigate the potential structural threat to independence. Furthermore, DeCA should realign DeCA IR to report to the Director, as stated in DeCAD 90-5 and DeCAM 90-5.1 or revise DeCAD 90-5 and DeCAM 90-5.1 to accurately reflect the current organizational structure and DeCA management responsibilities.

## Recommendations, Management Comments, and Our Response

### ***Recommendation 1***

We recommend that the Defense Commissary Agency Director:

- a. **Realign the Defense Commissary Agency Internal Review Chief to report to the Director as described in Defense Commissary Agency Directive 90-5, “Internal Audit Activities,” and Defense Commissary Agency Internal Audit Manual 90-5.1; or**
- b. **Revise the Defense Commissary Agency Directive 90-5, “Internal Audit Activities,” and the Defense Commissary Agency Internal Audit Manual 90-5.1 to reflect the current organizational structure and management responsibilities; and**
- c. **Establish and document safeguards to: (1) resolve disputed findings; (2) resolve potential disagreements between the Deputy Director and the Internal Review Chief; (3) elevate the Internal Review Chief’s concerns directly to the Director and the Chairman of the Board of Directors, when appropriate; (4) obtain input and approval from the Director concerning the annual audit plans; and (5) regularly discuss audit results directly with the Director and the Chairman of the Board of Directors.**

### *Defense Commissary Agency Comments*

The Special Assistant for the Commissary Operations, responding for the DeCA Director, agreed with the recommendation but added comments, stating that DeCA firmly believes that the current organizational structure meets the requirements for Internal Auditor Independence.<sup>4</sup> In addition, he stated that the Internal Review Chief reporting to the Command Group gives him access to DeCA’s highest levels, thus removing him from political pressure within the organization. Further, the Internal Review Chief reporting to the Board of Directors Audit Committee mitigates the possibility of undue influence in DeCA as a whole.

---

<sup>4</sup> The Defense Commissary Agency Director is also the Assistant Secretary of Defense for Manpower and Reserve Affairs.

To address the recommendation, DeCA stated that the Internal Review Chief will update the Defense Commissary Agency Directive (DeCAD) 90-5, “Internal Audit Activities” and the Defense Commissary Agency Internal Audit Manual (DeCAM) 90-5.1, to reflect the current organizational structure and document safeguards. DeCA plans to complete this action by January 31, 2019.

### *Our Response*

DeCA addressed the intent of the recommendation, and no further comments are required. The recommendation is resolved, but remains open. The recommendation will remain open until we verify that the revised DeCAD 90-5 and DeCAM 90-5.1 reflect the current organization structure and include the safeguards.

## **Design of the Quality Control System**

### ***Deficiency 2. DeCA IR Did Not Update Its Policies and Procedures to Address Recommendations From the Previous Peer Review and Its Policies and Procedures Did Not Include Certain GAS Requirements***

DeCA IR did not update its policies and procedures to address the recommendations from the previous peer review.<sup>5</sup> Additionally, DeCA IR’s policies and procedures do not include certain GAS requirements.

GAS 3.83 states that an audit organization’s system of quality control encompasses the organization’s policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements.

In the previous peer review of DeCA IR conducted by the Army & Air Force Exchange Service (AAFES), AAFES recommended that DeCA IR update its policies and procedures. Specifically, AAFES identified the following findings.

- The DeCAM 90-5.1 policies and procedures did not include safeguards to independence as outlined in GAS 3.17 and GAS 3.26.<sup>6</sup> AAFES recommended that DeCA IR revise the DeCAM 90-5.1 Appendix A to address the GAS procedural requirements requiring safeguards to mitigate threats to independence that are recognized before and after the report is issued.
- Independence Statements were not included in the project working papers for all audit team members, as required by the DeCAM 90-5.1 Chapter 1, “Auditing Standards,” paragraph 3. AAFES recommended that DeCA IR implement a policy to ensure that all personnel who conduct, edit, review, approve, direct, or publish an audit report comply with GAS independence standards.

<sup>5</sup> The previous peer review was conducted by the Army & Air Force Exchange Services, “External Peer Review of the Defense Commissary Agency Office of Internal Audit,” March 12, 2015. The DeCA audit organization received a peer review rating of *pass*.

<sup>6</sup> GAS 3.17 provides examples of safeguards that could eliminate threats to independence or reduce them to an acceptable level. GAS 3.26 states that if a threat to independence is initially identified after the auditors’ report is issued, the auditor should evaluate the threat’s impact on the audit and on GAS compliance.

- Working papers were not all properly reviewed and approved by the supervisor or lead auditor, as required by the DeCAM 90-5.1 Appendix C. AAFES recommended that DeCA IR ensure the checklist accompanying the “Certification Statement of Independent Referencing” includes steps to verify that all working papers are signed off as reviewed.

DeCA IR concurred with AAFES’s recommendations and stated that it would develop an audit handbook that would expand and codify its guidance to apply appropriate safeguards, update its independence policy, and update its independent referencing procedures. However, we determined that DeCA IR did not develop an audit handbook or update its policies to incorporate the recommendations made by AAFES.

In addition, our peer review identified deficiencies that were the same or similar to deficiencies identified in the AAFES’s peer review report. In Deficiency 3 of this report, we found that the DeCA IR Chief did not include an Independence Statement in the project working papers and the DeCA IR supervisors did not properly review and approve audit working papers. These repeat findings may have been prevented if DeCA IR developed and implemented the audit handbook.

Furthermore, we found that DeCA IR’s policies and procedures do not include certain GAS requirements. Specifically, we determined that DeCAM 90-5.1 does not include guidance for the following GAS standards.

- GAS 6.84 states that auditors should document departures from GAS requirements and the impact on the audit and on the auditors’ conclusions. We found that the auditors performing DeCA IR CCIA 16-01, “Follow-Up on Reports Issued from FY 2012 – FY 2014,” departed from GAS, as evidenced by the GAS noncompliances that are detailed in Deficiency 5, 6, and 7 of this report. A policy or procedure related to GAS 6.84 may have helped auditors to identify departures from GAS and document the impact on the audit and the auditors’ conclusions.
- GAS 3.90 states that audit organizations should establish policies and procedures for human resources that are designed to provide the audit organization with reasonable assurance that it has personnel with the capabilities and competence to perform its audits in accordance with professional standards and legal and regulatory requirements. We found that a DeCA IR auditor who worked on both audits that we evaluated did not meet the minimum requirements for auditors as required by the Office of Personnel Management (OPM) General Schedule Qualification Standards.<sup>7</sup> OPM requires that auditors have an accounting degree or a combination of education and experience. A combination of education and experience includes at least 4 years of experience in accounting or an equivalent combination of accounting experience, college-level education, and training that provided professional accounting knowledge.

---

<sup>7</sup> OPM serves as the chief human resources agency and personnel policy manager for the Federal Government.

We found that this DeCA IR auditor did not have either an accounting degree or the right combination of education and experience. This DeCA IR auditor worked on both audits that we evaluated, but did not plan or lead either audit. On May 13, 2018, this auditor resigned from DeCA IR.

## **Recommendations, Management Comments, and Our Response**

### ***Recommendation 2***

We recommend that the Defense Commissary Agency Director direct the Defense Commissary Agency Internal Review Chief to:

- a. **Revise the Defense Commissary Agency’s Internal Audit Manual 90-5.1 to include requirements for auditors and management to:**
  1. **Address the independence standards, including the application of appropriate safeguards.**
  2. **Include in the project working papers Independence Statements for all personnel who conduct, edit, review, approve, direct, or publish an audit report.**
  3. **Ensure that working papers conform to the Defense Commissary Agency’s Internal Audit Manual 90-5.1 and ensure the checklist accompanying the “Certification Statement of Independent Referencing” includes steps to verify that all working papers are signed off as reviewed.**
  4. **Identify and document in the project working papers departures from *Government Auditing Standards* requirements and the impact on the audit and the auditors’ conclusions.**
- b. **Develop written procedures to evaluate auditor candidates’ qualifications for adherence to the Office of Personnel Management General Schedule Qualification Standards.**

### ***Defense Commissary Agency Comments***

The Special Assistant for the Commissary Operations, responding for the DeCA Director, agreed with the recommendation, stating that on November 19, 2018, the Internal Review Chief took the following corrective actions by issuing:

1. An Independence Policy Statement addressing independence and applying safeguards and requiring all personnel who are associated with an audit to include an Independence Statement in the automated working paper documentation.
2. An Independent Reference Review Policy Statement requiring the use of the updated Independent Reference Review Checklist that includes steps to verify that all working papers are signed off as reviewed.

3. A GAS Compliance Policy Statement emphasizing how to determine and evaluate a departure from GAS.
4. An Auditor Candidates' Qualification Policy Statement on evaluating auditor candidates' qualifications for adherence to OPM requirements.

DeCA further stated that the policy statements will be included in the updated DeCAM 90-5.1. DeCA plans to complete this action by January 31, 2019.

### *Our Response*

DeCA addressed all specifics of the recommendation, and no further comments are required. To verify the corrective actions that have already been taken, we requested the policy statements from the Internal Review Chief that were issued to expand and clarify the DeCA Internal Review policies. We reviewed the following updated policy statements:

- a. An Independence Policy Statement, dated November 16, 2018, that addressed independence, applying safeguards, and requiring all personnel associated with an audit to include an Independent Statement in the automated working papers to certify that personnel are independent in mind and appearance and that they are without conflicts of interest.
- b. An Independent Reference Review Policy Statement, dated November 16, 2018, that required the use of the updated Independent Reference Reviewer checklist. Also, we reviewed the updated Independent Reference Reviewer checklist to verify that steps were included to verify that all working papers are signed off as reviewed.
- c. A GAS Compliance Policy Statement that emphasized how to determine and evaluate a departure from GAGAS.
- d. An Auditor Candidates' Qualification Policy Statement, dated November 16, 2018, that established an auditor candidate's qualification policy to ensure auditor candidates possess the required qualifications and competencies.

The policy statements we reviewed resolved the recommendations but remain open. The recommendations will remain open until we verify that the revised DeCAM 90-5.1 includes the policy statements and the checklist.

## **Operation of the Quality Control System**

### ***Deficiency 3. The DeCA IR Leadership Did Not Effectively Implement Quality Control Procedures and Emphasize Quality***

The DeCA IR leadership did not effectively implement quality control procedures and did not encourage or emphasize quality throughout the audit life cycle.<sup>8</sup> GAS 3.86 states that appropriate policies and communications encourage a culture that recognizes that quality is essential in performing GAS audits and that leadership of the audit organization is ultimately

---

<sup>8</sup> The DeCA IR leadership consists of the Chief and team lead.

responsible for the system of quality control. We determined that the DeCA IR leadership did not perform the following quality control procedures and consequently did not identify instances where auditors did not comply with GAS requirements identified in Deficiency 5, 6, and 7.

### *The DeCA IR Supervisors Did Not Perform Sufficient Supervisory Reviews*

The DeCA IR supervisors did not perform sufficient supervisory reviews of audit working papers. This is a repeat finding from DeCA IR's prior peer review.

GAS 6.52 states that a written audit plan provides an opportunity for audit organization management to supervise audit planning. It also helps the supervisor determine whether the proposed audit objectives are likely to result in a useful report, the audit plan adequately addresses relevant risks, the proposed audit scope and methodology are adequate to address the audit objectives, and sufficient resources are available to perform the audit and meet expected time frames. In addition, GAS 6.53 and 6.54 state that audit supervisors must properly supervise audit staff and that supervision includes providing sufficient guidance and direction to staff assigned. Further, GAS 6.83 states that auditors should document supervisory review of the evidence that supports the findings, conclusions, and recommendations contained in the audit report before the audit report is issued.

In addition, DeCAM 90-5.1 states that quality is the primary responsibility of the team lead and the supervisor and that the team lead and supervisory signatures on documentation throughout the project is the primary evidence of compliance with the supervision fieldwork standard.

We found the audit supervisor for DeCA IR CCIA 15-02, "Government Purchase Card Program," did not document his approval of significant audit plan revisions. We reviewed the audit working papers and found that the auditors performing DeCA IR CCIA 15-02 revised 23 of 31 steps (74 percent) and added 4 steps in the project plan that the supervisor had previously approved. However, the audit working papers did not include evidence that the audit supervisor reviewed and approved the revised audit plan. The DeCA IR Chief told us that he verbally discussed and approved these revisions with the lead auditor during a meeting but did not follow-up by signing the new audit plan.

We also found that the DeCA IR supervisors did not review and approve audit working papers that supported the two audit reports we evaluated. For example, we found that the audit supervisor for DeCA IR CCIA 16-01 did not properly review and approve 32 of 148 fieldwork working papers (22 percent). Specifically, for these 32 working papers, the supervisor left the "Reviewed By" and the "Reviewed Date" fields blank. In addition, the audit supervisor for DeCA IR CCIA 16-01 did not reapprove seven working papers (7 percent) that auditors edited after the supervisor reviewed them. Specifically, we found that the "Edited Date" on

the working papers were after the supervisor's "Reviewed Date." The DeCA IR Chief stated that the DeCA IR supervisors try to ensure that all working papers are approved, but it does not always happen.

This is a repeat finding from DeCA IR's prior peer review. Specifically, AAFES reported that not all working papers were properly reviewed and approved for the three audits that it peer reviewed.

### *The DeCA IR Supervisors Did Not Assign Independent Auditors to Conduct Independent Reference Reviews*

The DeCA IR supervisors did not assign independent auditors to perform Independent Reference Reviews (IRRs). Instead, we found that the DeCA IR supervisors assigned auditors to perform an IRR who also performed fieldwork on the audits.

DeCAM 90-5.1 requires the DeCA IR supervisors to appoint an auditor who is independent of the associated audit to perform an IRR, review and sign an appropriate IRR certification statement, and maintain the certification in the project file. In addition, DeCAM 90-5.1 requires the independent reference reviewer, the auditor, and the lead auditor to sign an IRR certification statement.

The DeCA IR Chief told us that he made the decision to override the IRR independence requirement due to the limited availability of resources. However, the auditor did not document the DeCA IR Chief's decision in the working papers. We learned of the DeCA IR Chief's decision through extensive discussions held with DeCA IR personnel. Although we determined that the auditors who performed the IRR performed minimal work on the audits, overriding the independence requirement potentially diminished the accuracy of the report statements. For example, the independent reference reviewer did not identify that the management comments were not included in the DeCA IR CCIA 16-01 audit report.

In addition, the two audits that we evaluated did not include an IRR certification statement signed by the independent reference reviewer, the auditor, and the lead auditor, as required by DeCAM 90-5.1.

### *The DeCA IR Auditors Did Not Use Quality Control Checklists*

The lead auditors for the two audits that we evaluated did not use the DeCA IR quality control checklists.

DeCAM 90-5.1 encourages the use of the Audit Report Reviewer Checklist, which includes reminders of documentation requirements for evidence and management comments to support the report. In addition, the standard DeCA IR project file includes a Project Quality Control Checklist-Performance Audits, which includes reminders of documentation requirements for project planning, supervision, project documentation, and report quality control.

We determined that the auditors did not use either quality control checklist in the two audits we evaluated. The DeCA IR Chief told us that the lead auditors had not been using the checklists. If the lead auditors had used the checklists in the audits that we evaluated, they may have prevented many of the deficiencies found in this report because the DeCA IR checklists include items related to independence statements, audit planning steps, significant changes to the audit plan, explanations provided for audit steps not completed, departures from GAS, and supervisory sign-offs.

### *The DeCA IR Chief Did Not Include an Independence Statement in the Project File*

The DeCA IR Chief did not include an Independence Statement in the DeCA IR CCIA 16-01 project file.

DeCAM 90-5.1 requires that the Independence Statement be maintained in the personnel records and updated annually in matters relating to all audit work. A signed Independence Statement certifies that personnel are independent in mind and appearance and that they are without conflicts of interest. Additionally, DeCA IR developed a Statement of Independence to be included in each project file, as an extra control measure.

We found that the DeCA IR Chief completed an Annual Auditor Independence Declaration. This Annual Auditor Independence Declaration satisfied one requirement in DeCAM 90-5.1. However, we found that the DeCA IR Chief did not include the Independence Statement in the project file for the DeCA IR CCIA 16-01 audit. This is a repeat finding from DeCA IR's prior peer review. Specifically, AAFES reported that Independence Statements were not present in the working papers for all audit team members.

## **Recommendations, Management Comments, and Our Response**

### ***Recommendation 3***

**We recommend that the Defense Commissary Agency Director require the Defense Commissary Agency Internal Review Chief to:**

- a. Provide training to all supervisors on *Government Auditing Standards* requirements.**
- b. Remind supervisors, in writing, to review and approve significant changes or revisions to the audit plan.**
- c. Remind supervisors, in writing, to review and approve working papers before issuing audit reports.**
- d. Develop a certification statement that includes a statement verifying that the independent reference reviewer is independent of the audit as required by Defense Commissary Agency Internal Audit Manual 90-5.1 and that includes a signature block for the independent reference reviewer, auditor, and lead auditor.**

- e. **Require the use of the Audit Report Reviewer Checklist included in the Defense Commissary Agency Internal Audit Manual 90-5.1 and the Project Quality Control Checklist-Performance Audits checklist included in the project file template.**
- f. **Remind supervisors and auditors, in writing, to include an Independence Statement in the project files for all audit team members for each audit performed or update the Defense Commissary Agency Internal Audit Manual 90-5.1 to only require the statement to be included in the personnel file.**

### *Defense Commissary Agency Comments*

The Special Assistant for Commissary Operations, responding for the DeCA Director, agreed with the recommendation, stating that the Internal Review Chief will provide the lead auditor on-the-job training concerning *Government Auditing Standards* and plans to complete this action by December 2018. He further stated that the Internal Review Chief:

- a. Issued the lead auditor written reminders that all significant changes in or to the audit plan must be approved; and all working papers must be approved before issuing the report. These reminders were issued on November 19, 2018.
- b. Issued all staff a written reminder to include an Independence Statement in the project files. The action was completed on November 16, 2018.
- c. Issued an Independence Reference Review Policy Statement and a Project Quality Control Checklist—Performance Policy on November 19, 2018. The Independence Reference Review Policy Statement required the staff to use the updated Independence Reference Review certification statement and the updated Independent Reference Reviewer checklist that merged the Audit Report Reviewer checklist and the former Independent Reference Reviewer checklist. The Project Quality Control Checklist—Performance Policy required the staff to use the checklists throughout the audit process. These actions will be included in the revised DeCA Internal Audit Manual 90-5.1 and DeCA plans to complete these actions by January 31, 2019.

### *Our Response*

DeCA addressed all specifics of the recommendation, and no further comments are required. The recommendation to provide the team lead training concerning *Government Auditing Standards* training is resolved, but remains open. Recommendation 3.a will remain open until we verify that the team lead completed the *Government Auditing Standards* training.

In addition, to verify the corrective actions that have already been taken, the Internal Review Chief provided and we reviewed that the Internal Review Chief:

- a. Issued a written reminder to the team lead to review and approve all significant changes or revisions to the audit plan and to review and approve all working papers before issuing the report. We reviewed a Memorandum for Internal Review Management, dated November 15, 2018, showing the reminders and that the team lead signed, dated, and acknowledged the receipt of the memorandum. Recommendations 3.b and 3.c are closed.

- b. Issued a written reminder to all DeCA IR staff to include an Independence Statement in the project files. We reviewed a Memorandum for Internal Review Staff, dated November 15, 2018, signed and dated by each auditor and the Internal Review Chief acknowledging that they read and understood the contents of the memorandum. Recommendation 3.f is closed.
- c. Issued an Independent Reference Review Policy Statement and a Project Quality Control Checklist—Performance Policy Statement. We reviewed the updated Independent Reference Review checklist, the Independent Reference Review Certification statement, and the Independent Reference Review Policy Statement. In addition, we reviewed the updated Project Quality Control Checklist—Performance Audits and the Project Quality Control Checklist Policy Statement. The recommendation is resolved, but remains open. Recommendations 3.d and 3.e will remain open until we verify that the revised DeCAM 90-5.1 includes the policies, updated checklists, and the certification statement.

## Monitoring of Quality

### ***Deficiency 4. DeCA IR Did Not Monitor Its Quality Control System***

DeCA IR did not monitor its quality control system.

GAS 3.93 states that audit organizations should establish policies and procedures for the monitoring of quality in the audit organization. In addition, GAS 3.95 states that the audit organization should analyze and summarize the results of its monitoring process at least annually, with identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action. The audit organization should communicate to appropriate personnel any deficiencies identified during the monitoring process and make recommendations for appropriate remedial action.

We requested that DeCA IR provide us with its monitoring of quality results documentation for the 3-year period under peer review. Instead, DeCA IR provided its Internal Risk Analysis documentation that included the risk analysis, test plan, and test results for the 3-year period. This documentation did not include the monitoring of quality results and the annual identification of systemic or repetitive issues needing improvement for its quality control system, as required by GAS. The documents provided were consistent with annual audit planning but not annual monitoring of audit quality. For example, the risk analysis section of the document categorized the risk as low that internal audit resources would be expended on unnecessary audit work. Furthermore, the test results section showed the review of audits but did not demonstrate how the answers were interpreted to conclude whether the DeCA IR's system of quality control was suitably designed and operating effectively.

We determined that DeCA IR did not design an audit quality monitoring process that would allow for annually identifying systemic or repetitive issues needing improvement for its quality control system, as required by GAS. Monitoring of quality is designed to provide the audit organization with reasonable assurance that the system of quality control is suitably designed and operating effectively. Monitoring of the quality control system would have provided DeCA IR leadership timely identification of the deficiencies that we identified during this peer review.

## Recommendations, Management Comments, and Our Response

### ***Recommendation 4***

**We recommend that the Defense Commissary Agency Director require the Defense Commissary Agency Internal Review Chief to design and implement a written process for performing monitoring of quality and summarizing the results on at least an annual basis in accordance with *Government Auditing Standards*.**

#### *Defense Commissary Agency Comments*

The Special Assistant for the Commissary Operations, responding for the DeCA Director, agreed with the recommendation, stating that the Internal Review Chief issued a Quality Control Monitoring Policy Statement, which implemented a written process for monitoring quality and summarizing the results on at least an annual basis on November 19, 2018. DeCA further stated that the written process will be included in the revised DeCAM 90-5.1. DeCA plans to complete this action by January 31, 2019.

#### *Our Response*

DeCA addressed the specifics of the recommendation, and no further comments are required. In order to verify the status of the corrective action, the Internal Review Chief provided and we reviewed the Quality Control Monitoring Policy Statement, dated November 16, 2018. The recommendation is resolved, but remains open. The recommendation will remain open until we verify that the revised DeCAM 90-5.1 includes the written process for quality control monitoring.

## Planning

### ***Deficiency 5. The DeCA IR Auditors Did Not Perform Audit Planning Steps***

The DeCA IR auditors did not perform audit planning steps or provide a justification for not performing the required audit planning steps.

GAS 6.06 states that auditors must adequately plan and document the planning of the work necessary to address the audit objectives. DeCA IR has a standard working paper template that includes GAS-required audit planning steps. The auditors performing DeCA IR CCIA 16-01 omitted 11 of the 16 planning steps in the working paper template. In addition, the auditors did not document a justification for the omitted steps. For example, the auditors omitted audit planning steps related to the following GAS requirements.

- GAS 6.10 states that auditors should design the methodology to obtain reasonable assurance that the evidence is sufficient and appropriate to support the auditor's findings and conclusions in relation to the audit objectives and to reduce audit risk to an acceptable level.
- GAS 6.11 requires auditors to assess audit risk and significance within the context of the audit objectives.
- GAS 6.12a states that auditors should identify the potential criteria needed to evaluate matters subject to audit.
- GAS 6.12b states that auditors should identify sources of audit evidence and determine the amount and type of evidence needed given audit risk and significance.
- GAS 6.51 states that the auditors should update the audit plan, as necessary, to reflect any significant changes to the plan made during the audit.

In addition, we found that the auditors performing DeCA IR CCIA 15-02 omitted one audit planning step. Specifically, GAS 6.36 states that auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the audit objectives. Although the auditors identified a prior audit report with similar objectives, they omitted the audit step to evaluate whether DeCA had taken appropriate corrective action to address the findings and recommendations in the prior audit report.

Audit planning is important to reduce audit risk to an appropriate level for the auditors to obtain reasonable assurance that the evidence is sufficient and appropriate to support the auditors' findings and conclusions.

## **Recommendations, Management Comments, and Our Response**

### ***Recommendation 5***

**We recommend that the Defense Commissary Agency Director require the Defense Commissary Agency Internal Review Chief to update the Defense Commissary Agency's Internal Audit Manual 90-5.1 to include requirements for auditors to complete all planning steps or provide a documented justification for not completing omitted planning steps.**

### *Defense Commissary Agency Comments*

The Special Assistant for the Commissary Operations, responding for the DeCA Director, agreed with the recommendation, stating that the requirement to complete all planning steps or provide a documented justification for not completing the omitted steps will be included in the revised DeCAM 90-5.1. DeCA plans to complete this action by January 31, 2019.

### *Our Response*

DeCA addressed the specifics of the recommendation, and no further comments are required. The recommendation is resolved, but remains open. The recommendation will remain open until we verify that the revised DeCAM 90-5.1 includes the requirement to complete all planning steps or provide a documented justification for not completing the omitted steps.

## **Evidence and Audit Documentation**

### ***Deficiency 6. The DeCA IR Auditors Did Not Comply With GAS Evidence and Audit Documentation Requirements***

The DeCA IR auditors did not comply with GAS evidence and audit documentation requirements. GAS 6.56 states that auditors must obtain sufficient and appropriate evidence to provide a reasonable basis for their findings and conclusions. Further, GAS 6.67 states that auditors should determine whether enough appropriate evidence exists to address the audit objectives and support the findings and conclusions. Also, GAS 6.79 requires that auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed, the audit evidence obtained and its source, and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions. However, the auditors performing the DeCA IR CCIA 16-01 did not obtain supporting documentation for the following working paper conclusions.

- Auditors determined that an audit recommendation was still open related to overstocking inventory above the marked stocking lines on meat freezers and refrigeration units. According to the working papers, the auditors performed physical observations of the meat freezers and refrigeration units. However, the auditors did not obtain photographs to document their observations that products were above the meat freezers and refrigeration units fill lines, as required by the project audit guide.
- Auditors determined that an audit recommendation was implemented related to tobacco accountability training. To support this conclusion, the auditors referenced a listing of store personnel responsible for tobacco accountability. However, the auditors did not obtain supporting documentation that demonstrated who was required to take the training and who on the list attended the training.

- Auditors determined that an audit recommendation was implemented related to monthly reconciliations of the DeCA Fleet Dispatch Trip Sheets against the General Services Administration Monthly Fleet Statements. The auditors stated that a monthly reconciliation was performed. However, the auditors did not obtain supporting documentation of the reconciliation that was performed to support the conclusion or document how they determined that the reconciliation was performed.
- Auditors selected 10 audit reports with open recommendations for follow-up for fiscal years 2010 through 2014. DeCAM 90-5.1 requires that all open recommendations be maintained in a log. However, the log was not included in the project documentation as the basis for the selection of the 10 audit reports.<sup>9</sup> We determined that the 10 audit reports with open recommendations were not a sample but the actual universe of audit reports with open recommendations for the five year period that DeCA IR reviewed.

GAS 6.72 states that when auditors identify limitations or uncertainties in evidence that are significant to the audit findings and conclusions, they should apply additional procedures, as appropriate. The auditors performing DeCA IR CCIA 16-01 received additional information that revealed a scope limitation at one audit location. In the working papers, the auditors stated that they were going to perform additional procedures. However, rather than documenting or performing additional procedures to mitigate the scope limitation, the auditors excluded the location that had the scope limitation. Furthermore, the auditors did not document in the working papers their justification for excluding the location and not performing the additional procedures.

Audit documentation is important to enable an experienced auditor, having no previous connection to the audit, to understand the nature, timing, extent, and results of audit procedures performed, the audit evidence obtained and its source, and the conclusions reached. Because of the multiple documentation deficiencies, we required substantial information and additional explanations to determine that the two audits were reliable.

## Recommendations, Management Comments, and Our Response

### ***Recommendation 6***

**We recommend that the Defense Commissary Agency Director require the Defense Commissary Agency Internal Review Chief to provide training to auditors on the *Government Auditing Standards* evidence and documentation requirements to:**

- Obtain sufficient and appropriate evidence to provide a reasonable basis for their findings and conclusions,**

<sup>9</sup> DeCAM 90-5.1 (Appendix K, Audit Follow-Up Log) requires that all open recommendations be maintained in a log. However, the DeCA IR Chief did not maintain the audit follow-up log as required by the DeCAM.

- b. **Determine whether enough appropriate evidence exists to address the audit objectives and support the findings and conclusions, and**
- c. **Apply additional procedures when auditors identify limitations or uncertainties in evidence that are significant to the audit findings and conclusions.**

### *Defense Commissary Agency Comments*

The Special Assistant for the Commissary Operations responding for the DeCA Director, agreed with the recommendation, stating that the Internal Review Chief will arrange for all DeCA IR staff to attend *Government Auditing Standards* training. DeCA further stated that one-hour training sessions will be conducted on a bi-weekly basis, within the Internal Review office. DeCA plans to complete the training by February 2019.

### *Our Response*

DeCA addressed the specifics of the recommendation, and no further comments are required. The recommendation is resolved, but remains open. The recommendation will remain open until we verify that all staff completed *Government Auditing Standards* training.

## **Reporting**

### ***Deficiency 7. The DeCA IR Auditors Did Not Comply With GAS Reporting Requirements***

The DeCA IR auditors did not comply with GAS reporting requirements.

GAS 7.08 states that auditors should prepare audit reports that contain: (1) the objectives, scope, and methodology of the audit; (2) the audit results, including findings, conclusions, and recommendations, as appropriate; (3) a statement about the auditors' compliance with GAS; (4) a summary of the views of responsible officials; and (5) if applicable, the nature of any confidential or sensitive information omitted. We identified the following audit reporting deficiencies in DeCA IR CCIA 16-01.

- GAS 7.09 states that auditors should include in the report a description of the audit objectives and the scope and methodology used for addressing the audit objectives. The auditors incorrectly reported the scope of a follow-up audit. The audit announcement letter and working papers identified audits between FY 2010 and FY 2014. However, the audit report identified the scope as audits with open recommendations that were issued between FY 2012 and FY 2014.
- GAS 7.27 states that auditors should report conclusions based on audit objectives and findings. The auditors did not accurately report the conclusion in the report. The report stated that the recommendation was implemented at four locations. However, the working papers documented that the recommendation had been implemented at two locations.

- GAS 7.34 states when responsible officials provide oral comments only, auditors should prepare a summary of the oral comments and provide a copy of the summary to the responsible officials to verify that the comments are accurately stated. The auditors did not provide a summary of the oral comments to the responsible officials to verify that their comments were accurately stated despite receiving oral comments during an exit briefing.
- GAS 7.32 states that auditors should obtain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations in the audit report, as well as any planned corrective actions. The auditors did not request or include management comments in the audit report. In addition, the DeCA IR supervisor approved the final audit report without the required management comments.

Accurate reporting is important to communicate the results of audits and to make the results less susceptible to misunderstanding. In addition, including the views of responsible officials result in a report that presents not only the auditors' findings, conclusions, and recommendations, but also the perspectives of the responsible officials and the corrective actions they plan to take.

## Recommendations, Management Comments, and Our Response

### ***Recommendation 7***

**We recommend that the Defense Commissary Agency Director require the Defense Commissary Agency Internal Review Chief to provide training to auditors on the *Government Auditing Standards* reporting requirements to:**

- Describe accurately the audit objectives and the scope and methodology used for addressing the audit objectives;**
- Report conclusions accurately based on audit objectives and audit findings;**
- Prepare a summary of the oral comments and provide a copy of the summary to the responsible officials to verify that the comments are accurately stated when responsible officials provide oral comments; and**
- Obtain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations in the audit report.**

### ***Defense Commissary Agency Comments***

The Special Assistant for the Commissary Operations, responding for the DeCA Director, agreed with the recommendation, stating that the Internal Review Chief will arrange for all DeCA IR staff to attend *Government Auditing Standards* training. DeCA further stated that one-hour training sessions will be conducted on a bi-weekly basis, within the Internal Review office. DeCA plans to complete the training by February 2019.

### *Our Response*

DeCA addressed the specifics of the recommendation, and no further comments are required. The recommendation is resolved, but remains open. The recommendation will remain open until we verify that all staff completed *Government Auditing Standards* training.

If you have any questions or would like to meet to discuss the report, please contact Carolyn R. Hantz at (703) 604-8877 or e-mail at [Carolyn.Hantz@dodig.mil](mailto:Carolyn.Hantz@dodig.mil). We appreciate the cooperation and assistance received during the peer review.



Randolph R. Stone  
Deputy Inspector General  
Policy and Oversight

Enclosures:  
As stated

# Enclosure 1

## Scope and Methodology

We conducted this peer review from January 2018 through November 2018. We tested compliance with the DeCA IR audit organization’s system of quality control to the extent we considered appropriate. These tests included a review of the only two reports issued between February 1, 2017, and January 31, 2018. The table lists the reports reviewed.

*Table. DeCA IR Audit Reports Issued Between February 1, 2017 and January 31, 2018*

Project No.	Report Title	Report Date	Audit Type
DeCA IR CCIA 15-02	Government Purchase Card Program	May 31, 2017	Performance
DeCA IR CCIA 16-01	Follow-Up on Reports Issued from FY 2012 – FY 2014	June 21, 2017	Performance

We reviewed the project files for the two audits to assess compliance with the DeCA IR system of quality control for audits. In addition, we tested compliance for continuing professional education hours. We visited the DeCA IR office located in Fort Lee, Virginia. We interviewed the DeCA IR personnel to determine their understanding of and compliance with quality control policies and procedures that were published by the DeCA IR office on August 15, 2014. DeCA IR did not have any projects that were terminated during the period of review; therefore, we did not review any terminated projects. Furthermore, the DeCA IR audit office did not perform any nonaudit services during the period of our review.

# Enclosure 2

## Management Comments

### Defense Commissary Agency



IN REPLY  
REFER TO

**DEFENSE COMMISSARY AGENCY**  
**HEADQUARTERS**  
**1300 E AVENUE**  
**FORT LEE, VIRGINIA 23801-1800**

CCA

December 6, 2018

MEMORANDUM FOR INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE

BIANCHI.ROBERT.  
JOHN.1028082378

Digitally signed by  
BIANCHI.ROBERT.JOHN.10280  
82378  
Date: 2018.12.06 15:37:25 -05'00'

FROM: Robert J. Bianchi, Special Assistant for Commissary Operations to the ASD(M&RA)

SUBJECT: System Review Report on the Defense Commissary Agency Internal Review  
(Project No. D2018-DAPOCM-0073.00)

Contained herein is the Defense Commissary Agency's response to the DoDIG Inspector General (DoDIG) Report "System Review Report on the Defense Commissary Agency Internal Audit" (D2018-DAPOCM-0073.00).

**DODIG RECOMMENDATION #1:** We recommend that the Defense Commissary Director:

- a. Realign the Defense Commissary Agency Internal Review Chief to report to the Director as described in Defense Commissary Agency Directive 90-5, "Internal Audit Activities," and Defense Commissary Agency Internal Audit Manual 90-5.1; or
- b. Revise the Defense Commissary Agency Directive 90-5, "Internal Audit Activities," and the Defense Commissary Agency Internal Audit Manual 90-5.1 to reflect the current organizational structure and management responsibilities; and
- c. Establish and document safeguards to: (1) resolve disputed findings; (2) resolve potential disagreements between the Deputy Director and the Internal Review Chief; (3) elevate the Internal Review Chief's concerns directly to the Director and Chairman of the Board of Directors, when appropriate; (4) obtain input and approval from the Director concerning the annual audit plans; (5) regularly discuss audit results directly with the Director and Chairman of the Board of Directors.

**DeCA Response:** CONCUR WITH COMMENTS. We firmly believe the current organizational structure meets the requirement for Internal Auditor Independence. GAGAS requires the head of the internal audit organization:

- *Be accountable to the head or deputy head of the government entity and those charged with governance.* The Internal Review Chief reports to the highest level in the Agency, the Command Group. The Command Group is comprised of the Director and Deputy Director who are both charged with governance. Because the Director is also the Director of NEXCOM, the Chief's rating official is the Deputy Director. *(Please see the attached organizational chart.)* Additionally, the Internal Review Chief reports to the Audit Committee of the Agency's Board of Directors.

Your Commissary ... It's Worth the Trip!

## Defense Commissary Agency (cont'd)

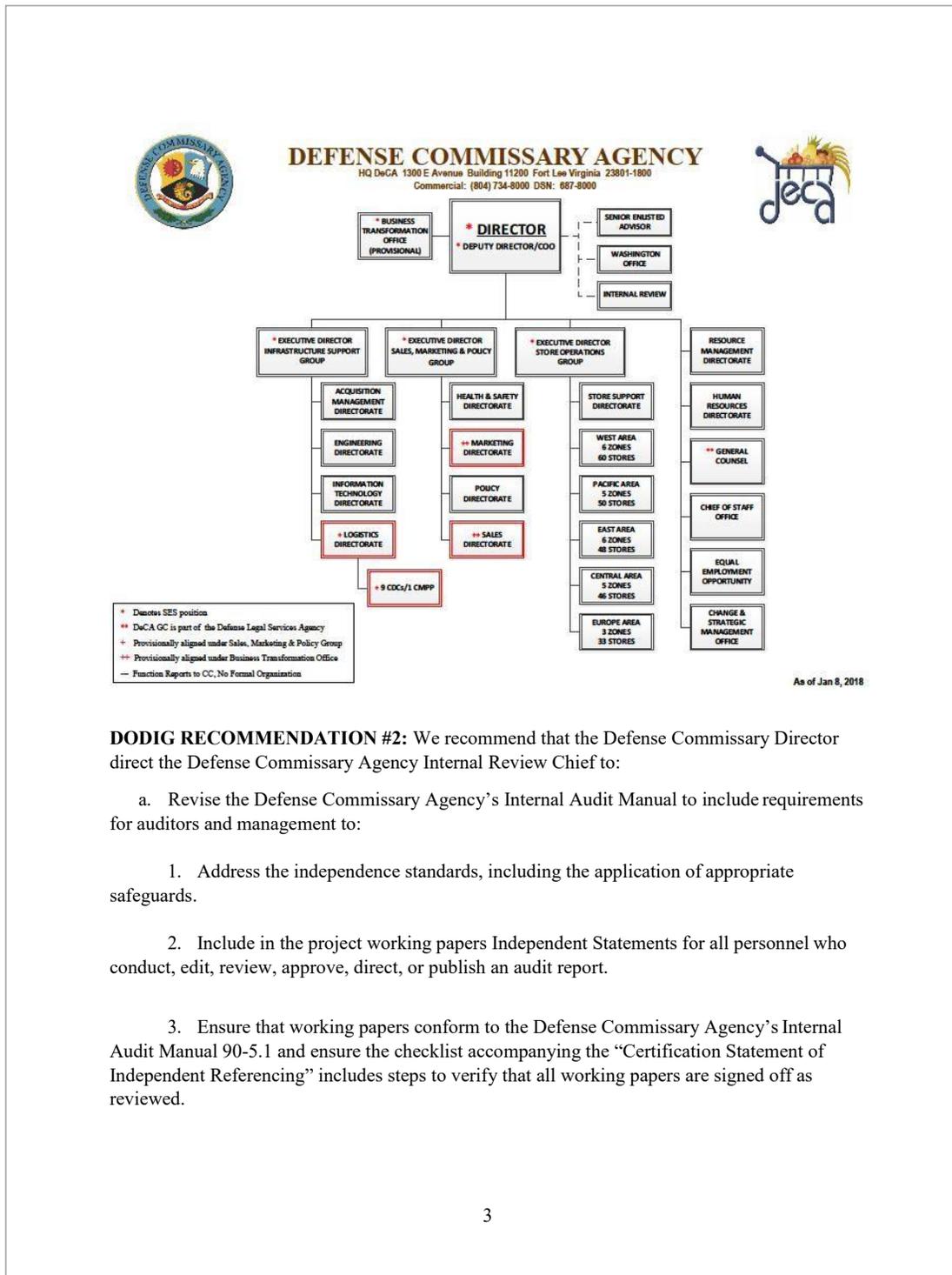
- *Report the audit results both to the head or deputy head of the government entity and those charged with governance.* The Internal Review Chief reports audit results to the Director as well as the Deputy Director. The Internal Review Chief only distributes the final audit reports after they are approved by the Director.
- *Is located outside the staff or line-management function of the unit under audit.* By reporting to the Command Group, the Internal Review Chief is located in the Agency's executive level and fully removed from any staff or line-management functions.
- *Has access to those charged with governance.* The Internal Review Chief has access to, and meets with, the Director, Deputy Director, and the Chairman of the Board of Directors Audit Committee.
- *Is sufficiently removed from political pressures to conduct audits and report findings, opinions, and conclusions objectively without fear of political reprisal.* The Internal Review Chief reporting to the Command Group gives them access to DeCA's highest levels, thus removing them from political pressure within the organization. Additionally, the Director approving final report distribution minimizes the remote possibility of the Deputy Director being able to unduly influence the work. Further, the Internal Review Chief reporting to the Board of Directors Audit Committee mitigates the possibility of undue influence in DeCA as a whole.

The Internal Review Chief will update DeCA Directive 90-5 "Internal Audit Activities" to reflect the Internal Review Chief reports to the Command Group, which includes both the Director and Deputy Director, who are charged with governance and document safeguards to:

- (1) Resolve disputed findings;
- (2) Resolve potential disagreements between the Deputy Director and the Internal Review Chief;
- (3) Elevate the Internal Review Chief's concerns directly to the Director and Chairman of the Board of Directors, when appropriate;
- (4) Obtain input and approval from the Director concerning the Annual Audit Plans;
- (5) Regularly discuss audit results directly with the Director and Chairman of the Audit Committee;

DeCA Directive 90-5, "Internal Audit Activities" and DeCA Manual 90-5.1, will be updated to reflect the changes above. Estimated completion date is January 31, 2019.

## Defense Commissary Agency (cont'd)



**DODIG RECOMMENDATION #2:** We recommend that the Defense Commissary Director direct the Defense Commissary Agency Internal Review Chief to:

a. Revise the Defense Commissary Agency’s Internal Audit Manual to include requirements for auditors and management to:

1. Address the independence standards, including the application of appropriate safeguards.
2. Include in the project working papers Independent Statements for all personnel who conduct, edit, review, approve, direct, or publish an audit report.
3. Ensure that working papers conform to the Defense Commissary Agency’s Internal Audit Manual 90-5.1 and ensure the checklist accompanying the “Certification Statement of Independent Referencing” includes steps to verify that all working papers are signed off as reviewed.

## Defense Commissary Agency (cont'd)

4. Identify and document the project working papers departures from *Government Auditing Standards* requirements and the impact on the audit and the auditors' conclusions.

b. Develop written procedures to evaluate auditor candidates' qualifications for adherence to the Office of Personnel Management General Schedule Qualification Standards.

**DeCA Response:** CONCUR. On November 19, 2019, the Internal Review Chief issued the following:

1. Independence Policy Statement addressing independence and applying safeguards and requiring all personnel who are associated with an audit to include an Independent Statement in the TeamMate documentation.

2. Updated Independence Reference Review Checklist to include ensuring all working papers are signed off on as reviewed and issued Independent Reference Review Policy Statement requiring its use.

3. GAGAS Compliance Policy Statement emphasizing how to determine and evaluate a departure from GAGAS.

4. Auditor Candidates' Qualification Policy Statement on evaluating auditor candidates' qualifications.

Additionally, this requirement will be included in the updated DeCAM 90-5.1. Estimated Completion date is January 31, 2019.

**DODIG RECOMMENDATION #3:** We recommend that the Defense Commissary Director require the Defense Commissary Agency Internal Review Chief to:

a. Provide training to all Internal Review supervisors on Government Auditing Standards requirements.

b. Remind Internal Review supervisors, in writing, to review and approve significant changes or revisions to the audit plan.

c. Remind Internal Review supervisors, in writing, to review and approve working papers before issuing audit reports.

d. Develop a certification statement that includes a statement verifying that the independent reference reviewer is independent of the audit as required by Defense Commissary Agency Internal Audit Manual 90-5.1 and that includes a signature block for the independent reference review, auditor, and lead auditor.

## Defense Commissary Agency (cont'd)

e. Require the use of the Audit Report Reviewer Checklist included in the Defense Commissary Agency Internal Audit Manual 90-5.1 and the Project Quality Control Checklist—Performance Audits included in the project file template.

f. Remind supervisors and auditors, in writing, to include an Independence Statement in the project files for all audit team members for each audit performed or update the Defense Commissary Agency Internal Audit Manual 90-5.1 to only require the statement to be included in the personnel file.

**DeCA Response:** CONCUR. The Internal Review Chief will:

a. Provide the lead auditor on-the-job training concerning *Government Auditing Standards*. Estimated completion is December 2018.

b & c. Issue the lead auditor a written reminder that;

- i. All significant changes in to audit plan must be approved.
- ii. All working papers must be approved before issuing the report. Completed November 19, 2018.

d. Develop a certification statement that includes a statement verifying the independent reference reviewer is independent of the audit. The certification statement will include a signature block for the independent reference reviewer, auditor, and lead auditor. The Internal Review Chief updated the checklist and on November 19, 2018, issued Independence Reference Review Policy Statement requiring using the certification statement. This will be included in the revised DeCA Internal Audit Manual 90-5.1. Estimated completion is January 31, 2019.

e. Require use of the Audit Report Reviewer Checklist from Defense Commissary Agency Internal Audit Manual 90-5.1, and the Project Quality Control Checklist – Performance Audit from the project file template. The Internal Review Chief merged the Audit Report Reviewer Checklist and the Independent Reference Reviewer (IRR) Checklist into a consolidated Independent Reference Reviewer Checklist. On November 19, 2018, the Internal Review Chief issued an Independent Reference Review Policy Statement requiring the use of the checklist. On November 19, 2018, the Internal Review Chief issued the Project Quality Control Checklist—Performance Policy requiring the use of the checklist to ensure quality throughout the audit process. Additionally, these requirement will be included in the revised DeCA Internal Audit Manual 90-5.1. Estimated Completion is January 31, 2019.

f. Issue all staff a written reminder to include an Independence Statement in the project files. Completed November 16, 2018.

**DODIG RECOMMENDATION #4:** We recommend that the Defense Commissary Director require the Defense Commissary Agency Internal Review Chief to design and implement a

## Defense Commissary Agency (cont'd)

written process to monitor quality and summarize the results on at least an annual basis in accordance with *Government Auditing Standards*.

**DeCA Response:** CONCUR. On November 19, 2018, the Internal Review Chief issued Quality Control Monitoring Policy Statement implementing a written process for monitoring quality and summarizing the results on at least an annual basis. This written process will be included in the revised DeCA Internal Audit Manual 90-5.1. Estimated Completion date is January 31, 2019.

**DODIG RECOMMENDATION #5:** We recommend that the Defense Commissary Director require the Defense Commissary Agency Internal Review Chief to update the Defense Commissary Agency's Internal Audit Manual to include requirements for auditors to complete all planning steps or provide a documented justification for not completing the omitted planning steps.

**DeCA Response:** CONCUR. The requirement to complete all planning steps or provide a documented justification for not completing the omitted steps will be included in the revised DeCA Internal Audit Manual 90-5.1. Estimated Completion date is January 31, 2019.

**DODIG RECOMMENDATION #6:** We recommend that the Defense Commissary Director require the Defense Commissary Agency Internal Review Chief to provide training to auditors on the *Government Auditing Standards* evidence and documentation requirements to:

- a. Obtain sufficient and appropriate evidence to provide a reasonable basis for their findings and conclusions,
- b. Determine whether enough appropriate evidence exists to address the audit objectives and support the findings and conclusions, and
- c. Apply additional procedures when auditors identify limitations or uncertainties in evidence that are significant to the audit findings and conclusions.

**DeCA Response:** CONCUR. The Internal Review Chief will arrange for all staff to attend Government Auditing Standards training. Additionally, 1 hour training sessions will be conducted on a bi-weekly basis, within the Internal Review office. Estimated Completion date is February 2019.

**DODIG RECOMMENDATION #7:** We recommend that the Defense Commissary Director require the Defense Commissary Agency Internal Review Chief to provide training to auditors on the *Government Auditing Standards* evidence and documentation requirements to:

- a. Describe accurately the audit objectives and the scope and methodology used for addressing the audit objectives;
- b. Report conclusions accurately based on the audit objectives and audit findings;

## ***Defense Commissary Agency (cont'd)***

c. Prepare a summary of the oral comments and provide a copy of the summary to the responsible officials to verify the comments area accurately stated when responsible officials provide oral comments; and

d. Obtain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations in the audit report.

**DeCA Response:** CONCUR. The Internal Review Chief will arrange for all staff to attend Government Auditing Standards training. Additionally, 1 hour training sessions will be conducted on a bi-weekly basis, within the Internal Review office. Estimated Completion: February 2019.

# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

*Whistleblower Protection safeguards DoD employees against retaliation for protected disclosures that expose possible waste, fraud, and abuse in government programs. For more information, please visit the Whistleblower webpage at <http://www.dodig.mil/Components/Administrative-Investigations/Whistleblower-Reprisal-Investigations/Whistleblower-Reprisal/> or contact the Whistleblower Protection Coordinator at [Whistleblowerprotectioncoordinator@dodig.mil](mailto:Whistleblowerprotectioncoordinator@dodig.mil)*

## **For more information about DoD OIG reports or activities, please contact us:**

### **Congressional Liaison**

703.604.8324

### **Media Contact**

[public.affairs@dodig.mil](mailto:public.affairs@dodig.mil); 703.604.8324

### **DoD OIG Mailing Lists**

[www.dodig.mil/Mailing-Lists/](http://www.dodig.mil/Mailing-Lists/)

### **Twitter**

[www.twitter.com/DoD\\_IG](http://www.twitter.com/DoD_IG)

### **DoD Hotline**

[www.dodig.mil/hotline](http://www.dodig.mil/hotline)



DEPARTMENT OF DEFENSE | OFFICE OF INSPECTOR GENERAL

4800 Mark Center Drive  
Alexandria, Virginia 22350-1500  
[www.dodig.mil](http://www.dodig.mil)  
Defense Hotline 1.800.424.9098

