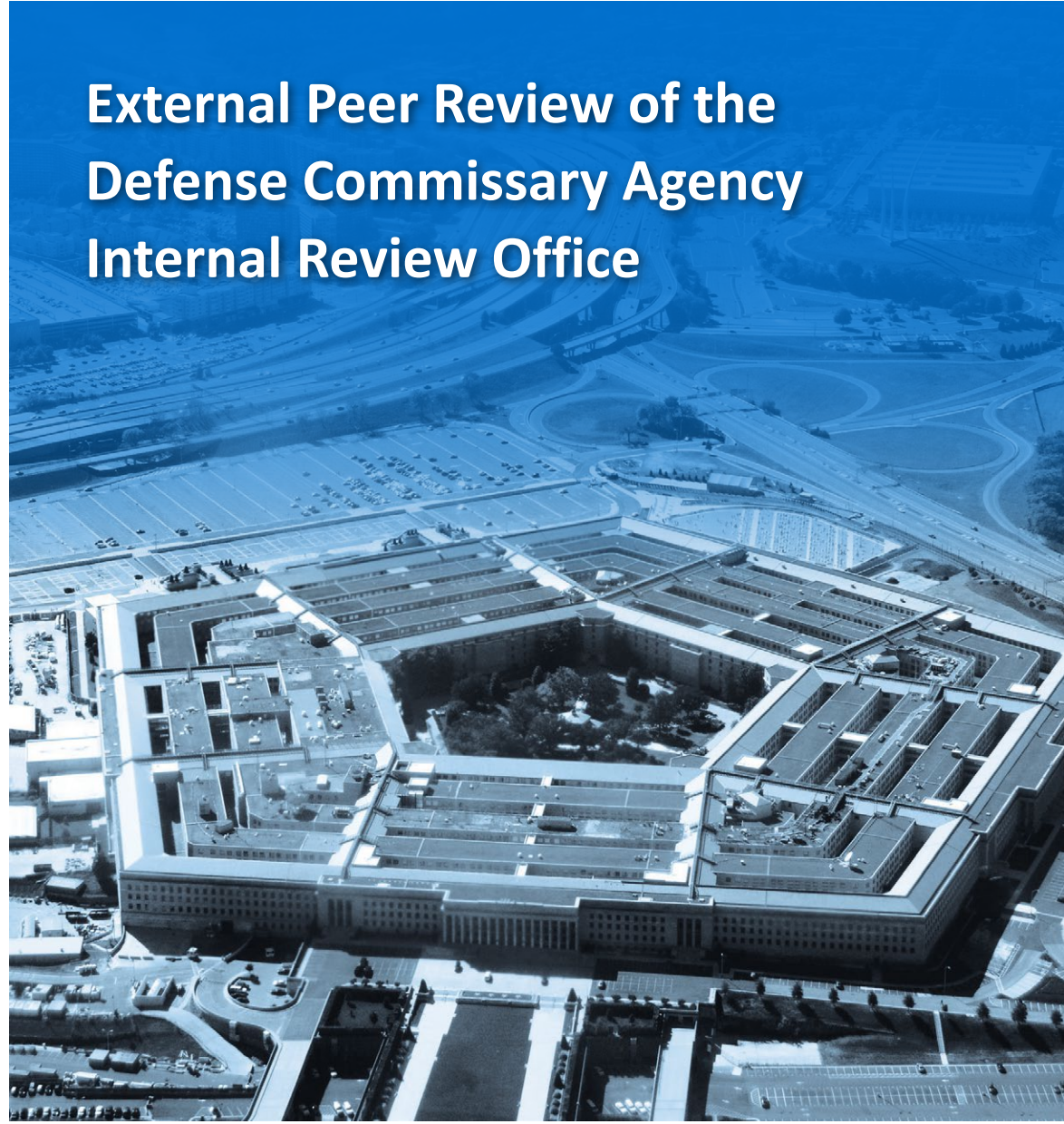




INSPECTOR GENERAL

U.S. Department of Defense

JUNE 2, 2022



External Peer Review of the Defense Commissary Agency Internal Review Office

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





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

June 2, 2022

MEMORANDUM FOR DIRECTOR, DEFENSE COMMISSARY AGENCY

SUBJECT: External Peer Review of the Defense Commissary Agency Internal Review Office
(Report No. DODIG-2022-101)

The final report provides the results of the DoD Office of Inspector General's peer review on the Defense Commissary Agency (DeCA) Internal Review Office. We previously provided copies of the draft report and requested written management comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

The DeCA Deputy Director agreed with eight of the nine recommendations presented in the report; therefore, we consider the recommendations resolved and open. However, Recommendation 8 is considered unresolved because the DeCA Deputy Director did not agree with the recommendation and did not propose alternative corrective actions.

Therefore, as discussed in the Recommendations, Management Comments, and Our Response section of this report, Recommendation 8 remains unresolved and open. We will track this recommendation until an agreement is reached on the actions you will take to address the recommendation, and you have submitted adequate documentation showing that all agreed-upon actions are completed.

DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore, please provide us within 30 days your response concerning the unresolved recommendation. We will close the eight resolved recommendations when you provide us documentation showing the recommended actions are completed. Therefore, within 90 days, please provide us your response concerning the eight resolved recommendations. Please send your responses to [REDACTED]

We appreciate the cooperation and assistance we received during the peer review. If you have any questions or would like to meet to discuss the peer review, please contact [REDACTED]

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

Randolph R. Stone
Assistant Inspector General for Evaluations
Space, Intelligence, Engineering, and Oversight





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

June 2, 2022

MEMORANDUM FOR THE DIRECTOR, DEFENSE COMMISSARY AGENCY

SUBJECT: System Review Report on the External Peer Review of the Defense Commissary Agency Internal Review Office (Report No. DODIG-2022-101)

We reviewed the system of quality control for the Defense Commissary Agency Internal Review (DeCA IR) Office in effect for the 3-year period ended January 31, 2021. A system of quality control encompasses the DeCA IR Office's structure, policies adopted, and procedures established to provide it with reasonable assurance of conforming in all material respects with the Government Auditing Standards and applicable legal and regulatory requirements.¹ The elements of quality control are described in the Government Auditing Standards.

In our opinion, except for the deficiencies described in this report, the system of quality control for the DeCA IR Office in effect for the 3-year period ended January 31, 2021, has been suitably designed and complied with to provide the DeCA IR Office with reasonable assurance of performing and reporting in conformity in all material respects with the Government Auditing Standards and applicable legal and regulatory requirements.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The DeCA IR Office has received an external peer review rating of *pass with deficiencies*.

The external peer review rating of *pass with deficiencies* is based on our assessment of the design of the DeCA IR Office's system of quality control, the extent of compliance with the Government Auditing Standards, and DeCA IR Office policies and procedures. We took into account the nature, pervasiveness, and relative importance of the deficiencies we identified during our review of the DeCA IR Office's system of quality control and the extent of compliance with the Government Auditing Standards taken as a whole. The deficiencies we found during this peer review could create a situation in which the DeCA IR Office would not have reasonable assurance of performing or reporting in conformity with applicable professional standards in one or more important respects. However, none of the deficiencies we found rise to the level of a significant deficiency as defined in the Council of the Inspectors General on Integrity and Efficiency (CIGIE) "Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General," which is required to support

¹ The Government Auditing Standards are issued by the Government Accountability Office. The 2018 version of the Government Auditing Standards became effective for performance audits that began on or after July 1, 2019. The DeCA IR Office began two of the three performance audits we selected for this peer review while the 2011 version of the Government Auditing Standards was still in effect.

a *fail* rating.² Therefore, the deficiencies taken as a whole support a *pass with deficiencies* rating for the DeCA IR Office.

Letter of Comment

We have issued a Letter of Comment dated June 2, 2022, that sets forth findings we did not consider to be of sufficient significance to affect our opinion expressed in this System Review Report.

Basis of Opinion

We conducted our peer review in accordance with the Government Auditing Standards and the CIGIE “Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General,” September 2014 and March 2020 revisions.

During our peer review, we interviewed DeCA IR Office audit personnel and obtained an understanding of the nature of the DeCA IR Office and the design of its system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessment, we nonstatistically selected three performance audits, one terminated audit, and one nonaudit service to test for compliance with the Government Auditing Standards and DeCA IR Office’s system of quality control. The four audits and one nonaudit service we selected represent a reasonable cross section of the universe of 10 audits completed, one audit terminated, and one nonaudit service performed during the 3-year period ended January 31, 2021.

In performing our peer review, we obtained an understanding of the system of quality control for the DeCA IR Office. In addition, we tested for compliance with the DeCA IR Office’s quality control policies and procedures to the extent that we considered appropriate. These tests covered the application of the DeCA IR Office’s policies and procedures on the selected audits. 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.

We met with DeCA IR Office management representatives to discuss the results of our peer review. We believe that the procedures we performed provide a reasonable basis for our opinion. The Enclosure identifies our scope and methodology, including our basis for selecting the four audits and one nonaudit service.

² CIGIE “Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General,” March 2020 revision. The CIGIE Guide defines a significant deficiency as one or more deficiencies that result in the system of quality control not providing the audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. According to the CIGIE Guide, only peer reviews that identify one or more significant deficiencies result in a *fail* rating.

Responsibilities and Limitation

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

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.

A handwritten signature in black ink, appearing to read 'Randolph R. Stone', with a stylized flourish at the end.

Randolph R. Stone
Assistant Inspector General for Evaluations
Space, Intelligence, Engineering, and Oversight

Enclosure
As stated

Deficiency 1. DeCA IR Office Monitoring of Quality Needs Improvement

The DeCA IR Office needs improvement in the monitoring of quality.³ GAS 3.93 of the 2011 revision to Government Auditing Standards and GAS 5.42 of the 2018 revision to the Government Auditing Standards state that audit organizations should establish policies and procedures for monitoring of quality. In addition, GAS 3.93 of the 2011 revision to the Government Auditing Standards and GAS 5.43 of the 2018 revision to the Government Auditing Standards state the audit organization should perform monitoring procedures that enable an assessment of compliance with applicable professional standards.⁴ Periodically performing quality reviews is a key component of an audit organization's monitoring of quality program.

Specifically, the DeCA IR Office Chief did not fully implement our prior peer review report recommendation to update the procedures that should be used for performing quality reviews. In addition, the DeCA IR Office did not identify noncompliances with the Government Auditing Standards during its quality reviews. Finally, the DeCA IR Office Chief did not communicate the results of the quality reviews to auditors and the DeCA Deputy Director.

The DeCA IR Office Did Not Fully Implement the Prior Peer Review Report Recommendation for Performing Quality Reviews

The DeCA IR Office did not fully implement our prior peer review recommendation reported in DoD OIG Report No. DODIG-2019-035, December 13, 2018, for performing quality reviews.⁵ In DoD OIG Report No. DODIG-2019-035, we recommended that the DeCA IR Office Chief design and implement a written process for performing and monitoring quality reviews.

In response to the prior peer review recommendation, the DeCA IR Office established policies and procedures for quality reviews in the DeCA:

- “Quality Control Monitoring Policy Statement,” November 16, 2018;
- DeCA Manual 90-05.01, “Internal Audit Manual,” August 9, 2019; and
- “Internal Review Office, Standard Operating Procedures” (IRR), August 9, 2019.

The policies and procedures include guidance on selecting audits for a quality review and summarizing the quality review results. However, the policies and procedures do not outline the procedures to perform DeCA IR Office quality reviews. As a result, the DeCA IR Office

³ Monitoring of quality is a repeat finding from the prior peer review.

⁴ Quality reviews equate to monitoring of quality procedures. GAS 3.93 of the 2011 revision to the Government Auditing Standards and GAS 5.47 of the 2018 revision to the Government Auditing Standards defines monitoring of quality as an ongoing periodic assessment of work completed on audits designed to provide management of the audit organization with reasonable assurance that the policies and procedures related to the system of quality control are suitably designed, operating effectively, and auditors have followed the Government Auditing Standards. Audit organizations should analyze and summarize the results of its monitoring of quality processes.

⁵ DoD OIG Report No. DoDIG-2019-035, “System Review Report on the Defense Commissary Agency Internal Review,” December 13, 2018.

Chief only partially implemented the prior peer review recommendation.⁶ The DeCA IR Office should update its policies and procedures to outline the specific steps that should be used to perform DeCA IR Office quality reviews.

In addition, we determined that the DeCA IR Office is still not adequately documenting the basis for conclusions reached during quality reviews. The DeCA IR Office uses the same spreadsheet to document the results of its quality reviews as we observed during the previous peer review. The spreadsheet includes a test results section that lists the tested controls and a “reviewer response” column indicating whether the controls are adequate or not applicable. See Table 1 for an abbreviated example of the FY 2020 DeCA IR Office test results section for one sampled project.

Table 1. Example of the FY 2020 DeCA IR Office Test Results

Project Sampled	Control Tested	Reviewer Response
CCA-20-03, Time and Attendance System	Is there an audit guide?	Yes
	Is there evidence that a draft report was submitted to the auditee(s) for comment?	Yes
	Does the report answer the objectives(s) and contain supporting evidence?	Yes
	Does the working papers contain an Independent Reference Review?	Yes
	As needed, does working papers contain coaching notes which show interaction between the auditor and IR management?	Yes
	Is there evidence of all special requests being reviewed?	Not applicable

Note: Table 1 reflects a consolidated representation of the test results documented in the DeCA IR Office spreadsheet for one quality review.

Source: The DoD OIG.

However, the spreadsheet does not fully explain the criteria used, the tests performed, or the evidence gathered by the DeCA IR Office Chief to support the conclusions on the tested controls or the DeCA IR Office’s system of quality control as a whole. For example, the test results section of the spreadsheet for Project CCA-20-03, “Time and Attendance System,” indicate that the audit file included an audit guide. However, the spreadsheet did not identify the criteria (such as policies or procedures) the reviewer used, or key areas of the audit guide they examined or tested, to determine the adequacy of the audit guide. The spreadsheet should reflect the full basis for the conclusions reached by the reviewer, including the criteria used, tests performed, and evidence gathered.

⁶ A new DeCA IR Office Chief was assigned during March 2021. The previous DeCA IR Office Chief was assigned to a different position within the DeCA organization.

Quality reviews are designed to provide the audit organization with reasonable assurance that the system of quality control is suitably designed and operating effectively.

Quality Reviews Performed by the DeCA IR Office Did Not Identify Noncompliances with the Government Auditing Standards

The quality reviews conducted by the DeCA IR Office Chief did not identify noncompliances with the Government Auditing Standards in the areas of documentation, reporting, and quality control. GAS 3.94 of the 2011 revision to the Government Auditing Standards and GAS 5.43 of the 2018 revision to the Government Auditing Standards state that audit organizations should perform monitoring procedures that enable an assessment of compliance with applicable professional standards and quality control policies and procedures for GAS audits.

According to the DeCA IR Office SOP, the DeCA IR Office performs quality reviews each year on a sample of completed performance audits to determine compliance with the Government Auditing Standards and DeCA IR Office quality control procedures.

During 2020, the DeCA IR Office performed quality reviews of the same three performance audits we selected for our peer review. The DeCA IR Office did not identify any noncompliances.⁷

However, our review of the three audits did identify noncompliances with DeCA IR Office quality control procedures. For example, we identified that:

- for all three audits, the DeCA IR Office auditors did not prepare checklists or certifications in accordance with DeCA IR Office policies and procedures (See the Letter of Comment, Finding 2);
- for one audit, “Audit of Workers Compensation Program CONUS Stores,” the report did not include an adequate description of sampling methodology and design (See the Letter of Comment, Finding 3); and
- for one audit, “Guard and Reserve On-Site Sales,” the DeCA IR Office did not issue the report in a timely manner (See the Letter of Comment, Finding 4).

A thorough quality review of the three audits would have identified these noncompliances and prompted DeCA IR Office management to take timely and appropriate corrective action. Quality reviews are an integral component of an audit organization’s system of quality control, and when performed as intended, provide valuable feedback on compliance with the Government Auditing Standards and internal policies and procedures.

⁷ The three DeCA IR Office performance audits selected were Report Number DeCA-CCA 20-04, “Guard and Reserve on Site Sales,” July 30, 2020; Report Number DeCA-CCA 20-01, “Audit of DeCA’s Worker’s Compensation Program CONUS Stores,” December 23, 2019; and Report Number DeCA-CCA 20-03, “Audit of Time and Attendance System (TAS),” March 19, 2020.

The DeCA IR Office Did Not Communicate the Results of the Quality Reviews for 2018 and 2019

The DeCA IR Office did not communicate the results of the 2018 and 2019 quality reviews to the DeCA IR Office auditors or the DeCA Deputy Director. Our prior peer review of the DeCA IR Office also found that the DeCA IR Office did not summarize or communicate the results of its quality reviews. Unlike 2018 and 2019, the DeCA IR Office Chief did begin communicating the results of the 2020 quality reviews to the DeCA Deputy Director, but he did not communicate them to the DeCA IR Office auditors.

GAS 3.95 of the 2011 revision to the Government Auditing Standards and GAS 5.44 of the 2018 revision to the Government Auditing Standards state that the audit organization should communicate to appropriate personnel any deficiencies noted during the monitoring process and make recommendations for appropriate remedial action. Further, GAS A.3.10.c.(5) of the 2011 revision to the Government Auditing Standards states the audit organization communicates internally the results of the monitoring of its quality control systems that allows the audit organization to take prompt and appropriate action when necessary. Finally, GAS 5.51 of the 2018 revision to the Government Auditing Standards states ongoing consideration and evaluation of the audit organization's system of quality control may include matters, such as communication to audit organization personnel of compliance with the system of quality control.

In addition, the DeCA IR Office SOP states that the DeCA IR Office Chief will analyze and summarize the results of the monitoring process and identify any systemic or repetitive issues needing improvement, along with recommendations for corrective action. The August 2019 SOP also states the results, deficiencies, and recommendations noted during the monitoring process will be communicated to the DeCA IR Office Chief's first-line supervisor, and other appropriate personnel.⁸

However, the DeCA IR Office Chief did not communicate the 2018, 2019, or 2020 quality review results to the DeCA IR Office auditors. In addition, the DeCA IR Office Chief did not communicate the 2018 or 2019 quality review results to the Deputy Director. The DeCA IR Office Chief stated the quality review results were not communicated to the Deputy Director until 2020 because the DeCA IR Office SOP updates were not completed until August 2019. Despite the timing of the SOP updates, the Government Auditing Standards require that the quality review results be communicated to appropriate personnel. Therefore, in the case of the DeCA IR Office, the quality review results for all three years should have been communicated to the Deputy Director and to the auditors.

⁸ The DeCA IR Office Chief's first-line supervisor is the DeCA Deputy Director.

Communicating the quality review results to appropriate personnel is an essential part of an audit organization's system of quality control. The quality review results provide valuable information on the effectiveness of quality controls within the audit organization and identify areas for improvement.

Recommendation, Management Comments, and Our Response

Recommendation 1

We recommend that the Defense Commissary Agency Internal Review Office Chief update the Standard Operating Procedures to include the specific procedures used for performing quality reviews, in accordance with the 2018 revision of Government Auditing Standard 5.42, and require that the basis for conclusions reached in quality reviews be fully documented.

Defense Commissary Agency Deputy Director Comments

The DeCA Deputy Director agreed with the recommendation. Specifically, the Deputy Director stated that the DeCA IR Office Chief rescinded the SOP and is, instead, updating the DeCA Internal Audit Manual, including detailed procedures and documentation on the performance, monitoring, and communication of quality control reviews in compliance with the Government Auditing Standards. The Deputy Director estimated that the DeCA IR Office Chief will complete the update by August 15, 2022.

Our Response

Comments from the DeCA Deputy Director addressed all specifics of the recommendation. The Deputy Director's alternative plan to update the DeCA Internal Audit Manual meets the intent of our recommendation. Therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we verify that the DeCA Internal Audit Manual has been updated, including detailed procedures on the performance, monitoring, and communication of quality control reviews, in compliance with the Government Auditing Standards.

Recommendation 2

We recommend that the Defense Commissary Agency Internal Review Office Chief update the Standard Operating Procedures to require the audit organization to perform quality reviews that ensure a thorough assessment of compliance, in accordance with the 2018 revision of Government Auditing Standard 5.43.

Defense Commissary Agency Deputy Director Comments

The DeCA Deputy Director agreed with the recommendation. The Deputy Director stated that the DeCA IR Office Chief rescinded the SOP and is, instead, updating the DeCA Internal Audit Manual, including detailed procedures on the performance, monitoring, and communication of quality control reviews, in compliance with the Government Auditing Standards. The Deputy Director estimated that the DeCA IR Office Chief will complete the update by August 15, 2022.

Our Response

Comments from the DeCA Deputy Director addressed all specifics of the recommendation. The Deputy Director's alternative plan to update the DeCA Internal Audit Manual meets the intent of our recommendation. Therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we verify that the DeCA Internal Audit Manual has been updated, including detailed procedures on the performance, monitoring, and communication of quality control reviews, in compliance with the Government Auditing Standards.

Recommendation 3

We recommend that the Defense Commissary Agency Internal Review Office Chief update the Standard Operating Procedures to include policy for communicating the quality review results to appropriate personnel, in accordance with the 2018 revision of Government Auditing Standard 5.44.

Defense Commissary Agency Deputy Director Comments

The DeCA Deputy Director agreed with the recommendation. The Deputy Director stated that the current DeCA IR Office Chief has rescinded the SOP and is, instead, updating the DeCA Internal Audit Manual, including detailed procedures on the performance, monitoring, and communication of quality control reviews, in compliance with the Government Auditing Standards. The Deputy Director estimated that the DeCA IR Office Chief will complete the update by August 15, 2022.

Our Response

Comments from the DeCA Deputy Director addressed all specifics of the recommendation. The Deputy Director's alternative plan to update the DeCA Internal Audit Manual meets the intent of our recommendation. Therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we verify that the DeCA Internal Audit Manual has been updated, including detailed procedures on the performance, monitoring, and communication of quality control reviews, in compliance with the Government Auditing Standards.

Deficiency 2. Two Auditors Did Not Meet Continuing Professional Education Requirements and the DeCA IR Office Records Were Not Accurate

Two of the five DeCA IR Office auditors did not meet the minimum of 20 annual Continuing Professional Education (CPE) hours required by the Government Auditing Standards for FY 2018. In addition, the DeCA IR Office did not keep accurate records of the CPE hours earned by its staff in FY 2018 and FY 2019.

Two of the Five DeCA IR Office Auditors Did Not Meet the Required Minimum of 20 CPE Hours for FY 2018

Two of the five DeCA IR Office auditors did not meet the required annual minimum of 20 CPE hours for FY 2018. GAS 3.76 of the 2011 revision to the Government Auditing Standards and GAS 4.17 of the 2018 revision to the Government Auditing Standards require auditors to complete at least 20 hours of training in each year of a 2-year CPE reporting period. In addition, GAS 3.76 of the 2011 revision to the Government Auditing Standards and GAS 4.16 of the 2018 revision to the Government Auditing Standards require auditors to complete 80 CPE hours during a 2-year reporting period.⁹

We reviewed the CPE training completion certificates for the five auditors, which disclosed that two of the auditors did not meet the 20-hour annual CPE requirement. Specifically, one of the auditors completed 16.5 hours in FY 2018, and the other auditor completed 19 hours in FY 2018. Although the two auditors did not meet the 20-hour annual requirement, all five auditors met the 2-year reporting period requirement of 80 hours covering FY 2018 and FY 2019.

To maintain professional competence, auditors must meet the Government Auditing Standards CPE requirements. Training that qualifies for CPE hours is designed to maintain and enhance the auditor's knowledge, skills, and abilities related to the types of audits the organization performs. Also, CPE training improves an auditor's technical abilities in several key areas, including information systems, internal controls, and contract requirements.

The DeCA IR Office Did Not Keep Accurate Continuing Professional Education Records

The DeCA IR Office did not keep accurate records of the CPE hours earned by its staff in FY 2018 and FY 2019. GAS 3.78 of the 2011 revision to the Government Auditing Standards states that meeting CPE requirements is primarily the responsibility of individual auditors. In addition, GAS 3.78 states the audit organization should have quality control procedures to

⁹ GAS 3.76 of the 2011 revision to the Government Auditing Standards and GAS 4.48 of the 2018 revision to Government Auditing Standards state that an audit organization may establish a standard 2-year CPE reporting period for all of its auditors. The DeCA CPE reporting period was FY 2018 through FY 2019.

help ensure that auditors meet the CPE requirements, including documentation of completed CPE hours. According to GAS 4.51 of the 2018 revision to the Government Auditing Standards, the audit organization may maintain documentation of CPE hours, or it may delegate the responsibility to the auditor and put in place adequate procedures to ensure that CPE hours earned by auditors are supported by documentation maintained by auditors.

The DeCA IR Office SOP states that the DeCA IR Office Chief is responsible for establishing policies and procedures to provide reasonable assurance that auditors who are performing work in accordance with the Government Auditing Standards meet the CPE requirements and maintain adequate documentation of CPE hours. However, the DeCA IR Chief had not established specific policies and procedures for tracking and recording CPE hours.

In August 2019, in response to the prior peer review report, the DeCA IR Office Chief updated both DeCA Manual 90-05.01, "Internal Audit Manual," and the DeCA IR Office SOP to establish general responsibilities for CPE hours.

- The DeCA Manual stated the DeCA IR Office Chief is responsible for ensuring competency.
- The SOP stated the DeCA IR Office Chief is responsible for establishing policies and procedures to provide reasonable assurance that auditors who are performing work in accordance with GAGAS meet the CPE requirements, including the maintenance of CPE documentation.

However, the updates were not in effect during most of the 2 year CPE reporting period covering FY 2018 and FY 2019. In addition, the updated DeCA Manual and the SOP did not contain specific guidance for tracking and monitoring completed CPE hours.

We reviewed the CPE documentation for all five auditors by comparing a CPE tracking spreadsheet maintained by the DeCA IR Office Chief to CPE completion certificates kept by the five auditors. The CPE tracking spreadsheet included the names of the DeCA auditor and the training course, the date the auditor took the training, and the number of CPEs earned.

The CPE tracking spreadsheet did not reconcile to the CPE completion certificates kept by the auditors. Specifically, the CPE hours in total for each of the five DeCA IR Office auditors tracked by the spreadsheet did not match to the total CPE hours supported by the CPE certificates. For example, the CPE tracking spreadsheet for FY 2019 inaccurately showed that an auditor had earned 32 CPE hours for one training class. However, the CPE certificate reflected that the auditor actually earned 28 CPE hours.

As a result, we could not rely on the accuracy of the spreadsheet and we instead used the CPE certificates to document our review and analysis of the CPEs earned during the 2-year CPE reporting period covering FY 2018 through FY 2019.

Inaccurate CPE records adversely affect an audit organization's system of quality control. For example, inaccurate records may not detect an auditor's noncompliance with the Government Auditing Standards CPE requirements. Adequate CPE records help management maintain a competent audit staff and detect and correct instances of auditors who may be in jeopardy of not meeting minimum CPE requirements.

The DeCA IR Office Took Corrective Action During our Review

In October 2021, the DeCA IR Office took corrective action to improve the accuracy of its CPE records during our review. Specifically, the DeCA IR Office Chief issued a memorandum entitled, "Internal Review Policy Memorandum (2021), Auditor Training Requirements."¹⁰ The memorandum assigned responsibilities for maintaining training records, including the maintenance of CPE training certificates for all DeCA IR audit staff. For example, the memorandum states that the DECA IR Office Chief is responsible for maintaining the training records, including copies of training certificates, for all DeCA IR Office audit staff. In addition, the memorandum reminds auditors of their responsibilities for maintaining CPE records and the steps they must take when they do not meet the minimum CPE requirements. Therefore, we do not have a recommendation.

Deficiency 3. The DeCA IR Office Did Not Comply with the Government Auditing Standards Requirements for a Nonaudit Service it Performed

During the 3-year period that ended January 31, 2021, the DeCA IR Office performed one nonaudit service. The Government Auditing Standards define nonaudit services as professional services other than audits or attestation engagements. The DeCA IR Office did not comply with the Government Auditing Standards requirements for independence considerations and documentation requirements when it conducted the nonaudit service. The Government Auditing Standards requirements associated with nonaudit services are as follows.

- GAS 3.34 of the 2011 revision to the Government Auditing Standards and GAS 3.64 of the 2018 revision to the Government Auditing Standards state that before auditors agree to provide a nonaudit service to an audited entity, the auditors should determine whether providing such a service would create a threat to independence, either by itself or in aggregate with other nonaudit services provided, with respect to any Government Auditing Standards engagement they conduct.

¹⁰ "Internal Review Policy Memorandum (2021), Auditor Training Requirements," October 27, 2021.

- GAS 3.34 of the 2011 revision to the Government Auditing Standards and GAS 3.74 of the 2018 revision to the Government Auditing Standards state auditors should document consideration of management’s ability to effectively oversee nonaudit service to be provided.
- GAS 3.37 of the 2011 revision to the Government Auditing Standards and GAS 3.76 of the 2018 revision to the Government Auditing Standards state auditors providing nonaudit services to audited entities should obtain agreement from audited entity management that audited entity management performs the following functions in connection with the nonaudit services:
 - assumes all management responsibilities;
 - oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience;
 - evaluates the adequacy of results of the services provided; and
 - accepts responsibility for the results of the services.
- GAS 3.39 of the 2011 revision to the Government Auditing Standards and GAS 3.77 of the 2018 revision to the Government Auditing Standards state that, in connection with nonaudit services, auditors should establish and document their understanding with the audited entity’s management or those charged with governance, as appropriate, on:
 - objectives of the nonaudit service;
 - services to be performed;
 - audited entity’s acceptance of its responsibilities;
 - the auditor’s responsibilities; and
 - any limitations of the nonaudit service.

In addition, the DeCA IR Office SOP states that a nonaudit service could create a threat to independence even for performance audits. The DeCA IR Office Chief must determine and document if providing the nonaudit service would, either by itself or in aggregate with other nonaudit services, create a threat to independence. The SOP also states that nonaudit services can create threats to the auditor’s or audit organization’s independence. Therefore, the SOP emphasizes that nonaudit services should only be accepted on an exception basis and must be approved in writing by the DeCA IR Office Chief.

In September 2018, the former DeCA IR Office Chief assigned an auditor to participate as an assessment team member in the DeCA Change Management’s Directorate review of the Delivery Discrepancy Report (DDR) program.¹¹ The former DeCA IR Office Chief cautioned the

¹¹ The DDR Program is a validation program designed to detect product discrepancies (overages/shortages) between amounts ordered and receiving documents. Physical counts are compared to receiving documents when products are removed from pallets at DeCA stores. DeCA Store Managers are responsible for reporting program results to the DeCA Headquarters.

auditor to not make any management decisions while performing the review. The auditor's participation in the DDR review consisted of the following:

- The auditor attended assessment team planning meetings. The auditor also provided assistance in developing a flowchart for the receiving function.
- From March 2019 through May 2019, the auditor participated in assessment store visits to three DeCA locations. The auditor's store visit responsibilities consisted of observing the receiving function and comparing samples of inventory received to invoices, bills of lading, and DeCA contracts.
- The auditor's assignment ended in October 2019 when the DeCA Deputy Director issued a memorandum summarizing the assessment results.¹²

The auditor who participated in the DDR review told us that he believed the project was a Special Request, not an audit or a nonaudit service.¹³ We also interviewed the DeCA IR Office Chief who stated that it was unclear what role the DeCA IR Office auditor performed for the project.

Since the DDR review was not an audit or attestation, we determined the review was a nonaudit service. We also determined that the DeCA IR Office did not comply with the Government Auditing Standards requirements related to nonaudit services. For example, the DeCA IR Office did not comply with GAS 3.34 of the 2011 revision to the Government Auditing Standards because the auditor did not determine whether providing the nonaudit service would create a threat to independence.

In this instance, we did not identify any actual independence impairments associated with the DeCA IR Office's participation in the nonaudit service. However, compliance with the Government Auditing Standards requirements for nonaudit services is important to ensure that nonaudit services provided do not create a threat to the auditors' or organization's ability to maintain independence.

¹² "Store Director Requirements for Distributor Discrepancy Report (DDR) Program," October 16, 2019.

¹³ The DeCA IR Office SOP defines a Special Request as a request from senior management for an audit, based on unforeseen needs when the annual audit plan was prepared. The scheduling of a Special Request depends on the nature of the request and available resources.

Enclosure

Scope and Methodology

We conducted this peer review from February 2021 through March 2022 in accordance with the Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) “Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General.” These standards require that we obtain an understanding of the reviewed organization’s system of quality control and conclude whether the:

- system is designed appropriately to ensure compliance with the Government Auditing Standards, and
- organization is complying with the Government Auditing Standards and internal policies and procedures.

This peer review covered the 3-year period from February 1, 2018, through January 31, 2021. We tested compliance with the DeCA IR Office’s system of quality control to the extent we considered appropriate. These tests included selecting a nonstatistical sample of 3 of 10 performance audits completed, 1 performance audit terminated, and 1 nonaudit service performed by the DeCA IR Office from February 1, 2018, through January 31, 2021.

Two of the three completed performance audits were subject to the 2011 revision of the Government Auditing Standards because they began before the 2018 revision to the Government Auditing Standards became effective on July 1, 2019. The nonaudit service we selected was also subject to the 2011 revision of the Government Auditing Standards because it began in September 2018. The other performance audit we selected was subject to the 2018 revision of the Government Auditing Standards because it began on January 28, 2020.

We used the appendixes and procedures in the September 2014 and March 2020 revisions of the CIGIE Guide identified in the following sections to conduct this peer review.

Policies and Procedures (CIGIE Guide Appendix A)

We reviewed the DeCA IR Office audit policies and procedures to determine whether the policies and procedures complied with the Government Auditing Standards. We requested that the DeCA IR Office complete Column 1 of the CIGIE Guide’s Appendix A, “Policies and Procedures,” and provide a copy of relevant audit policies and procedures. We recorded our conclusions and comments on whether the DeCA IR Office’s policies and procedures were adequate and complied with the Government Auditing Standards in Column 2 of Appendix A. We concluded that the DeCA IR Office’s Quality Review policies need improvement. See Deficiency 1 of this report for additional details.

Checklist for the Standards of Independence, Competence and Continuing Professional Education, and Quality Control and Peer Review (CIGIE Guide Appendix B)

Using the CIGIE Guide's Appendix B checklist, we tested the DeCA IR Office's compliance with the Government Auditing Standards general standards, consisting of independence, competence and continuing professional education, and quality control and peer review.

Independence

We reviewed DeCA IR Office records addressing the independence of all six auditors to determine whether the DeCA IR Office met the Government Auditing Standards requirements for independence documentation. One DeCA IR Office auditor did not complete a statement of independence for one of the three audits we reviewed, as required by the DeCA IR Office SOP. See the Letter of Comment, Finding 5, for additional details.

Competence and Continuing Professional Education

We interviewed all six DeCA IR Office auditors to determine their understanding of, and compliance with, the Government Auditing Standards and DeCA IR Office quality control policies and procedures. We did not interview the current DeCA IR Office Chief because she started the position in March 2021, 2 months after we started our peer review. Based on the results of the interviews, we concluded that the auditors are competent and have an adequate understanding of the Government Auditing Standards and DeCA IR Office policies and procedures.

We also reviewed CPE documentation for the five auditors to determine whether they obtained the CPE hours required by the Government Auditing Standards. Two of the five auditors did not earn the annual minimum of 20 CPE hours in FY 2018, in accordance with the Government Auditing Standards requirements. See Deficiency 2 of this report for additional details.

Quality Control and Peer Review

We reviewed all three internal quality reviews that the DeCA IR Office completed during the 3-year review period. The DeCA IR Office completed one review in 2018, one review in 2019, and one review in 2020. We reviewed the three quality reviews to determine whether the DeCA IR Office:

- performed quality review procedures that enabled it to assess compliance with professional standards and quality control policies and procedures; and
- analyzed and summarized the results of its quality review procedures, at least annually, with identification of any systemic or repetitive issues needing improvement with recommendations for corrective action.

For the 2020 quality review, the DeCA IR Office selected the same three audits that we selected for our peer review. The DeCA IR Office 2020 quality review did not identify noncompliances with the DeCA IR Office policies and procedures in the areas of documentation, reporting, and quality control. In addition, the quality review results were not communicated to all appropriate personnel. Also, the DeCA IR Office did not implement changes to quality review testing as recommended by our prior peer review. See Deficiencies 1 and 2 of this report for additional details.

Checklist for DeCA IR Office Performance Audits (CIGIE Guide Appendix E)

From February 1, 2018, through January 31, 2021, the DeCA IR Office completed 10 performance audits. We nonstatistically selected a sample of three performance audits for our review.

In selecting our nonstatistical sample, we chose performance audits that would provide a reasonable cross-section of performance audits that the DeCA IR Office completed during the 3-year period. For example, we chose audits that resulted in the selection of various auditors. We reviewed the performance audits for compliance with the Government Auditing Standards using Appendix E of the CIGIE Guide. Table 2 lists the three performance audits we selected for our review.

Table 2. Performance Audits We Selected for Review

Audit Title	Report Number	Report Date
Guard and Reserve On-Site Sales	DeCA-CCA 20-04	July 30, 2020
Audit of Time and Attendance System (TAS)	DeCA-CCA 20-03	March 19, 2020
Audit of Worker’s Compensation Program CONUS Stores	DeCA-CCA 20-01	December 23, 2019

Source: The DoD OIG.

Terminated Audits (CIGIE Risk Assessment Procedure)

During the 3-year period ended January 31, 2021, the DeCA IR Office terminated one performance audit, Project No. 19-03, “Mobile Phones and Hotspot Devices.” We reviewed the audit documentation for the terminated audit to determine whether the DeCA IR Office auditors complied with the Government Auditing Standards requirement to document the results of the work to date of the termination and the reason why the auditors terminated the audit. The DeCA IR Office complied with the Government Auditing Standards when it terminated the audit.

Nonaudit Service Performed by the DeCA IR Office

During the 3-year period ended January 31, 2021, the DeCA IR Office completed one nonaudit service. We reviewed the nonaudit service to determine whether it complied with the Government Auditing Standards applicable to nonaudit services. We identified that the DeCA IR Office auditor who participated in performing the nonaudit service did not comply with the Government Auditing Standards. See Deficiency 3 of this report for additional details.

Use of Computer-Processed Data

We did not use computer-processed data to perform this peer review.

Prior Coverage

During the last 5 years, the DoD OIG issued one report discussing the peer review of the DeCA IR Office. Unrestricted DoD OIG reports can be accessed at www.dodig.mil/reports.

DoD OIG

Report No. DODIG-2019-035, “System Review Report on the Defense Commissary Agency Internal Review,” December 13, 2018

The DoD OIG evaluated whether the DeCA IR Office system of quality control in effect for the 3-year period ended January 30, 2018, was suitably designed and whether the DeCA IR Office complied with its quality control system to provide it with reasonable assurance of conformity with professional standards and applicable legal and regulatory requirements in all material respects. The DeCA IR Office received a peer review rating of *fail*.



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

June 2, 2022

MEMORANDUM FOR THE DIRECTOR, DEFENSE COMMISSARY AGENCY

SUBJECT: Letter of Comment on the External Peer Review of the Defense Commissary Agency Internal Review Office (Report No. DoDIG-2022-101)

We have reviewed the system of quality control for the Defense Commissary Agency Internal Review (DeCA IR) Office in effect for the 3-year period ended January 31, 2021, and have issued our System Review Report on June 2, 2022, in which the DeCA IR Office received a rating of *pass with deficiencies*. The findings in this Letter of Comment should be read in conjunction with the System Review Report. The detailed findings within this report were not considered to be of sufficient significance to affect the opinion rendered in the System Review Report.

Finding 1. DeCA IR Office Auditors Did Not Document Discussions with Management on the Findings

For all three performance audits we reviewed (see Table 2 of the System Review Report for a list of the three audits), the DeCA IR Office auditors did not document their discussions with management on the findings. GAS 7.32 of the 2011 revision to the Government Auditing Standards and GAS 6.57 of the 2018 revision to the Government Auditing Standards state that auditors should obtain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations included in the audit report, as well as any planned corrective actions. DeCA IR Office Manual 90 05.01 requires that all exit conference discussions be documented in the audit file, including the topics discussed and the individuals who attended. Additionally, the DeCA IR Office quality control checklist, which must be completed for each audit, requires evidence that the report findings were discussed with management and documented.

The auditors for all three audits did not document any discussions they may have held with DeCA management on the audit report findings, as required by the Government Auditing Standards and the DeCA IR Office Manual. Additionally, the audit files did not include any evidence that the DeCA IR Office auditors held exit conferences with DeCA management.

The DeCA IR Office Chief stated that the auditors did discuss the audit findings with DeCA management representatives. However, the audit files do not include any evidence that those discussions took place.

Documenting discussions with management on the audit findings helps to ensure that the auditors develop a report that is fair, complete, and objective. Also, the discussions give management an opportunity to present the perspectives of the audited entity and any corrective actions it plans to take.

Recommendation, Management Comments, and Our Response

Recommendation 5

We recommend that the Defense Commissary Agency Internal Review Office Chief issue a memorandum reminding the auditors that they must document all discussions with management in the audit files.

Defense Commissary Agency Deputy Director Comments

The DeCA Deputy Director agreed with the recommendation. The Deputy Director stated that discussions on audit findings will be documented, in compliance with the Government Auditing Standards. Specifically, the DeCA IR Office Chief is updating the DeCA Internal Audit Manual to comply with the Government Auditing Standards requirements for documenting discussions on audit findings. In addition, the DeCA IR Office created a master audit program that incorporates key planning, fieldwork, and reporting audit steps to be referenced, including the exit conference and the discussion draft report. DeCA IR Office auditors must use the master audit program on all audits as of May 2022. Finally, the DeCA IR Office Chief verbally told us that the update to the DeCA Internal Audit Manual should be completed by August 15, 2022.

Our Response

Comments from the DeCA Deputy Directory addressed all specifics of the recommendation. The Deputy Director's alternative plan to update the DeCA Internal Audit Manual and establish a master audit program meets the intent of the recommendation. Therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we verify the DeCA IR office has updated the DeCA Internal Audit Manual to document discussions on audit findings, and created the master audit program to incorporate audit steps for documenting the exit conference and the discussion draft report.

Finding 2. DeCA IR Office Auditors Did Not Adequately Prepare Checklists or Certifications Required for Ensuring Audit Quality

For all three audits we reviewed, we found one or more instances of a noncompliance with the DeCA IR Office SOP on the auditors' preparation of checklists or certifications that help to ensure audit quality.

- For two of the three audits, the audit file did not include an audit report review checklist. The purpose of the checklist is to help ensure the quality and readability of the audit report.
- For one of the three audits, the project quality control checklist was completed 7 months after final report issuance. The purpose of the project quality control checklist is to remind auditors, during an audit, of the documentation requirements for project planning, supervision, project documentation, and report quality control. According to the SOP the Lead Auditor or DeCA IR Office Chief will review the checklist and verify the quality of the work before advancing it to the next phase of the audit. Additionally, on completion of the project, the checklist will be signed by the lead auditor and DeCA IR Office Chief.
- For one of the three audits, the auditors used an outdated version of the independent reference review (IRR) checklist. The purpose of the IRR checklist is to help ensure that the audit file includes evidence supporting the accuracy of all statements of fact in the audit report. Additionally, the checklist helps to ensure that supporting working papers are approved before audit report issuance. The DeCA IR Office Chief explained that the wrong version of the IRR checklist was provided by the prior DeCA IR Office Chief and used in error.
- For one of the three audits, the audit file did not include a signed version the IRR certification. The DeCA IR Office Chief and the senior auditor should have signed the certification, stating that they have reviewed the list of IRR deficiencies and have taken appropriate corrective action to ensure the accuracy of statements of fact in the audit report.

Table 3 identifies the instances of noncompliance by audit report number.

Table 3. Instances of Noncompliance with the DeCA IR Office SOP

Audit Report No.	Instances of Noncompliance with DeCA Procedures			
	Report Review Checklist	Project Quality Control Checklist	IRR Checklist	IRR Certification
DeCA-CCA 20-04	X		X	X
DeCA-CCA 20-01	X			
DeCA-CCA 20-03		X		

Note: An “X” denotes an instance of noncompliance with the DeCA IF Office SOP on a checklist or certification.

Source: The DoD OIG.

GAS 3.83 of the 2011 revision to the Government Auditing Standards, and GAS 5.03 of the 2018 revision to the Government Auditing Standards state that an audit organization’s system of quality control encompasses 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 as well as applicable legal and regulatory requirements.

Consistency in complying with all required quality control policies and procedures ensures that the DeCA IR Office is maintaining a system of quality control and conducting engagements in accordance with the Government Auditing Standards and DeCA IR Office policy.

Recommendation, Management Comments, and Our Response

Recommendation 6

We recommend that the Defense Commissary Agency Internal Review Office Chief issue a memorandum reminding the auditors of the requirements in the Standard Operating Procedures for complying with quality control procedures, including the audit report checklist, the project quality control checklist, the independent reference review checklist, and the independent reference review certification.

Defense Commissary Agency Deputy Director Comments

The DeCA Deputy Director agreed with the recommendation. Specifically, the Deputy Director stated that the DeCA IR Office Chief has rescinded the SOP and is, instead, updating the DeCA Internal Audit Manual. The Deputy Director further stated that all changes to quality control procedures and the associated checklists will be addressed in the DeCA Internal Audit Manual and be in compliance with the Government Auditing Standards. In addition, the DeCA IR Office Chief verbally told us that the updates to the manual will also align with the CIGIE peer review guide and checklists. Finally, the DeCA Deputy Director anticipates the planned action will be completed by August 15, 2022.

Our Response

Comments from the DeCA Deputy Director addressed all specifics of the recommendation. The alternative plan to update the DeCA Internal Audit Manual meets the intent of our recommendation. Therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we verify the DeCA Internal Audit Manual has been updated to address the required use of the quality control procedures and associated checklists.

Finding 3. Auditors Did Not Adequately Describe the Sampling Methodology and Design in One of Three Audit Reports

For one of the three audits we reviewed, the auditors did not adequately describe the sampling methodology and design the auditors used to accomplish the audit objective in the audit report. GAS 7.13 of the 2011 revision to the Government Auditing Standards states the following.

In reporting audit methodology, auditors should explain how the completed audit work supports the audit objectives, including the evidence gathering and analysis techniques, in sufficient detail to allow knowledgeable users of their reports to understand how the auditors addressed the audit objectives....Auditors should identify significant assumptions made in conducting the audit; describe comparative techniques applied; describe the criteria used; and, when sampling significantly supports the auditors' findings, conclusions, or recommendations, describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population.

GAS 9.14 of the 2018 revision to the Government Auditing Standards contains similar requirements as those stated in GAS 7.13 of the 2011 revision to the Government Auditing Standards. Further, the DeCA IR Office SOP states that auditors should explain how the completed audit work supports the audit objectives in sufficient detail to allow knowledgeable users of their reports to understand how the auditors addressed the audit objective, including the evidence-gathering and evidence-analysis techniques.

For Report No. DeCA-CCA 20-01, "Audit of Worker's Compensation Program CONUS Stores," the audit file contained detailed information on the sampling methodology and design. However, the auditors did not adequately describe the sampling methodology or design in the audit report. For example, the auditors identified a universe of 952 roll type expenses from the Department of Labor's Billing List Detail covering July 1, 2018, through June 30, 2019.¹⁴ The auditors assigned a risk level of high, medium, or low for each of the seven roll type expense categories. Next, the auditors used a statistical random number sampling program

¹⁴ A roll type expense is a type of worker's compensation expense that is billed to DeCA by the Department of Labor. There were seven roll type expense categories in the Department of Labor's Billing List Detail covering July 1, 2018, through June 30, 2019.

to select a stratified sample from each of the risk levels. The total sample for all risk levels consisted of 122 roll type expenses. However, this sampling methodology was not adequately described in the audit report.

The current DeCA IR Office Chief stated that omitting details of the sample methodology and design from the report was an oversight by the prior DeCA IR Office Chief. The current DeCA IR Office Chief stated that the prior Chief should have ensured that the final report reflected the same level of detail on the sample methodology and design as the audit file.

Recommendation, Management Comments, and Our Response

Recommendation 7

We recommend that the Defense Commissary Agency Internal Review Office Chief issue a memorandum reminding auditors of the requirements in Government Auditing Standard 9.14 and the Standard Operating Procedures for documenting the sampling methodology and design in the audit report.

Defense Commissary Agency Deputy Director Comments

The DeCA Deputy Director agreed with the recommendation. The Deputy Director stated that the DeCA IR Office Chief has rescinded the SOP and is, instead, updating the DeCA Internal Audit Manual. Specifically, the Chief is updating the audit sampling section of the DeCA Internal Audit Manual to be in compliance with the Government Auditing Standards. In addition, the DeCA IR Office created a master audit program that incorporates key planning, fieldwork, and reporting audit steps. One of the key steps is audit sampling. DeCA IR Office auditors must use the master audit program for all audits as of May 2022.

Our Response

Comments from the DeCA Deputy Director addressed all specifics of the recommendation. The Deputy Director's alternative plan to update the DeCA Internal Audit Manual and establish the master audit program meets the intent of our recommendation. Therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we verify the DeCA IR Office has updated the audit sampling section of the DeCA Internal Audit Manual to comply with the Government Auditing Standards and included a step in the master audit program for audit sampling.

Finding 4. DeCA IR Office Auditors Did Not Issue the Final Audit Report in a Timely Manner for One of Three Audits

For one of three audits we reviewed, the DeCA IR Office auditors did not issue the final audit report in a timely manner. Specifically, for Report No. DeCA-CCA 20-04, “Guard and Reserve On-Site Sales,” the DeCA Deputy Director approved the release of the final report to the auditee on August 26, 2020. However, the prior DeCA IR Office Chief took 78 days to release the final report to the auditee on November 13, 2020. The audit file did not include an explanation for the 78-day delay in issuing the final report. The current DeCA IR Office Chief also stated that she was not aware of any valid reason why the prior DeCA IR Office Chief had delayed the issuance of final Report No. DeCA CCA 20-04.

GAS A7.02g of the 2011 revision to the Government Auditing Standards and GAS 9.17g of the 2018 revision to the Government Auditing Standards state that, to be of maximum use, providing relevant evidence in time to respond to officials of the audited entity, legislative officials, and other users’ legitimate needs is the auditor’s goal. The DeCA IR Office SOP similarly emphasizes the importance of issuing the audit report in a timely manner.

Recommendation, Management Comments, and Our Response

Recommendation 8

We recommend that the Defense Commissary Agency Internal Review Office Chief develop a tool, such as a checklist, to ensure the timely issuance of final reports in accordance with the Government Auditing Standards and the Standard Operating Procedures for the Defense Commissary Agency Internal Review Office.

Defense Commissary Agency Deputy Director Comments

The DeCA Deputy Director disagreed with the recommendation. The Deputy Director stated that two of the three audits we reviewed were issued in a timely manner. As such, he does not feel one report is representative of a pattern of growing concern and the recommendation does not warrant implementation. Further, the DeCA Deputy Director stated that the current process is sufficient and allows timely approval and issuance of final reports.

Our Response

Comments from the DeCA Deputy Director did not address the specifics of the recommendation; therefore, the recommendation is unresolved. Although we identified only one of three performance audits that had not been issued in a timely manner, we disagree with DeCA Deputy Director’s comment that one report is not representative of a pattern of growing concern, or that the recommendation does not warrant any corrective action. We reviewed three of the ten performance audits in the universe for the 3-year period ended

January 31, 2021, and we observed a 33 percent rate of not issuing the audit report in a timely manner. In this instance, the unexplained 78-day delay in issuing the audit report is alarming and warrants corrective action. In addition, this finding should not be viewed in isolation, because we identified several other weaknesses during our peer review that collectively diminished the overall reliability of the DeCA IR Office system of quality control. Accordingly, we request that the DeCA Deputy Director describe the actions planned to help eliminate future excessive delays in issuing audit reports.

Finding 5. An Auditor Did Not Complete an Annual Statement of Independence for One of Three Audits

For one of three audits we reviewed, an auditor did not complete an annual statement of independence as required by the DeCA IR Office SOP. GAS 3.02 of the 2011 revision to the Government Auditing Standards and GAS 3.18 of the 2018 revision to the Government Auditing Standards state in all matters relating to the engagement, auditors must be independent from the audited entity. The DeCA IR Office SOP states each auditor is required to complete an annual independence statement certifying that they have read and understand the DeCA IR Office's independence policy and disclosed any potential threats to independence.

Specifically, one of the five auditors assigned to Report No. DeCA-CCA 20-03, "Audit of Time and Attendance System (TAS)," did not complete an annual statement of independence. The auditor was originally assigned to only conduct an IRR of the audit report. The current DeCA IR Office Chief stated that due to a lack of staff, the prior DeCA IR Office Chief directed the auditor to also review and approve the audit file documentation. However, the auditor did not sign an annual statement of independence for the audit as required by the DeCA IR Office SOP. Although the auditor did not complete an annual statement of independence, we did not identify any actual independence impairment.

Complying with the Government Auditing Standards and DeCA IR Office policy for maintaining independence helps to ensure that audit findings, conclusions, and recommendations will be objective and impartial.

Recommendation, Management Comments, and Our Response

Recommendation 9

We recommend that the Defense Commissary Agency Internal Review Office Chief issue a memorandum reminding auditors of the importance of completing a statement of independence annually and including a copy of the statement in the audit file for each audit, in accordance with the Standard Operating Procedures for the Defense Commissary Agency Internal Review Office.


Defense Commissary Agency Deputy Director Comments

The DeCA Deputy Director agreed with the recommendation. Specifically, the Deputy Director stated that the DeCA IR Office Chief alternatively created an annual independence statement that is signed and placed in the project files. The new independence statement has been in effect since September 2021. In addition, because the SOP has been rescinded, the DeCA IR Office is instead updating the DeCA Internal Audit Manual. Further, the DeCA IR Office has also added the independence statement to the master audit program as a key planning document. The DeCA IR Office is required to use the master audit program for all audits as of May 2022. The DeCA Deputy Director anticipates that the DeCA Internal Audit Manual will be updated by August 15, 2022.

Our Response

Comments from the DeCA Deputy Director addressed all specifics of the recommendation. The Deputy Director's plan to update the DeCA Internal Audit Manual and add the independence statements to the master audit program meets the intent of our recommendation. Therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we verify the DeCA Internal Audit Manual has been updated and the independence statement section is in compliance with the Government Auditing Standards. In addition, to close the recommendation we will verify the master audit program includes a step on independence statements.

If you have any questions or would like to meet to discuss the report, please contact

 We appreciate the cooperation and assistance we received during the peer review.



Randolph R. Stone
Assistant Inspector General for Evaluations
Space, Intelligence, Engineering, and Oversight

Management Comments

System Review Report on the Defense Commissary External Peer Review



IN REPLY
REFER TO

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

CCA

May 4, 2022

MEMORANDUM FOR INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ATTN: AUDIT INSPECTOR GENERAL FOR EVALUATIONS,
SPACE, INTELLIGENCE, ENGINEERING AND OVERSIGHT

SUBJECT: System Review Report on the External Peer Review of the Defense Commissary
Agency Internal Review Office (Project No. D2021-DEV0SO-0090.000)

Contained herein is the Defense Commissary Agency (DeCA) response to the recommendations provided in Department of Defense Office of Inspector General (DoD OIG) System Review Report on the External Peer Review of the Defense Commissary Agency Internal Review Office (Project No. D2021-DEV0SO-0090.000).

DoD OIG RECOMMENDATION #1: We recommend that the DeCA Internal Review Office Chief update the Standard Operating Procedures (SOP) to include the specific procedures used for performing quality reviews in accordance with (IAW) the 2018 revision of Government Auditing Standard (GAS) 5.42, and require that the basis for conclusions reached in quality reviews be documented.

DeCA Response: CONCUR. The current DeCA Internal Review Office Chief is in the process of updating Defense Commissary Agency Manual (DeCAM) 90-05.01, Internal Audit Manual, and has rescinded the SOP. DeCAM 90-05.01 will incorporate the 2018 revision of GAS and DeCAM 90-05.01, Section 9, System of Quality of Control, is being updated to include detailed procedures and documentation on the performance, monitoring, and communication of quality control reviews to ensure consistency and compliance with Generally Accepted Government Auditing Standards (GAGAS). Estimated completion date is August 15, 2022.

DoD OIG RECOMMENDATION #2: We recommend that the DeCA Internal Review Office Chief update the SOP to require the audit organization to perform quality reviews that ensure a thorough assessment of compliance, IAW the 2018 revision of GAS 5.43.

DeCA Response: CONCUR. The current DeCA Internal Review Office Chief is in the process of updating DeCAM 90-05.01, Internal Audit Manual, and has rescinded the SOP. DeCAM 90-05.01 will incorporate the 2018 revision of the GAS and DeCAM 90-05.01, Section 9, System of Quality of Control, is being updated to include detailed procedures and documentation on the performance, monitoring, and communication of quality control reviews to ensure consistency and compliance with the GAGAS. Estimated completion date is August 15, 2022.

DoD OIG RECOMMENDATION #3: We recommend that the DeCA Internal Review Office Chief update the SOP to include policy for communicating the quality review results to appropriate personnel, in accordance with the 2018 revision of GAS 5.44.

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System Review Report on the Defense Commissary External Peer Review (cont'd)

DeCA Response: CONCUR. The current DeCA Internal Review Office Chief is in the process of updating DeCAM 90-05.01, Internal Audit Manual, and has rescinded the SOP. DeCAM 90-05.01 will incorporate the 2018 revision of the GAS and DeCAM 90-05.01, Section 9, System of Quality of Control, is being updated to include detailed procedures and documentation on the performance, monitoring, and communication of quality control reviews to ensure consistency and compliance with the GAGAS. Estimated completion date is August 15, 2022.

DoD OIG RECOMMENDATION #4: We recommend that the DeCA Internal Review Office Chief provide training for all staff on the requirements for non-audit services in the GAS, including the requirements associated with documenting independence.

DeCA Response: CONCUR. The current DeCA Internal Review Office Chief is in the process of updating Section 2.5, Non-audit Services, in DeCAM 90-05.01, Internal Audit Manual, to include an independence impairment assessment when planning to perform non-audit services, IAW the 2018 revision of GAS. The assessment will be documented and stored in our audit files in TeamMate to ensure proper retention and recording of the non-audit service assessment. Auditor training on non-audit services assessment will take place on May 5, 2022.

If you have any questions or would like to discuss our responses to the Report recommendations, please contact [REDACTED]

 Digitally signed by
DOWLING-MICHAEL [REDACTED]
Date: 2022.05.10 13:38:19
-04'07

Michael J. Dowling
Deputy Director

Letter of Comments on the Defense Commissary Agency External Peer Review



IN REPLY
REFER TO

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

CCA

May 4, 2022

MEMORANDUM FOR INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE,
ATTN: AUDIT INSPECTOR GENERAL FOR EVALUATIONS,
SPACE, INTELLIGENCE, ENGINEERING, AND OVERSIGHT

*SUBJECT: Letter of Comment on the External Peer Review of the Defense Commissary Agency Internal Review Office (Project No. D2021-DEV0SO-0090.000)

Contained herein is the Defense Commissary Agency (DeCA) response to the recommendations provided in Department of Defense Office of Inspector General (DoD OIG) Letter of Comment on the External Peer Review of the Defense Commissary Agency (DeCA) Internal Review Office (Project No. D2021-DEV0SO-0090.000).

DoD OIG RECOMMENDATION #5: We recommend that the Defca Internal Review Office Chief issue a memorandum reminding the auditors that they must document all discussions with management in the audit files.

DeCA Response: CONCUR. Discussions on audit findings and recommendations shall be documented in accordance with (IAW) GAS 6.57 of the 2018 revision to Government Audit Standards (GAS). The current DeCA Internal Review Office Chief is in the process of updating Defense Commissary Agency Manual (DeCAM) 90-05.01, Internal Audit Manual which will also reflect this requirement in Section 7.6, Findings. Also, a master audit program was created which incorporates key planning, fieldwork, and reporting audit steps to be referenced including the exit conference and discussion draft report documents. The Master Audit Program is part of the audit package and completed for all audits as of May 2022.

DoD OIG RECOMMENDATION #6: We recommend that the DeCA Internal Review Office Chief issue a memorandum reminding the auditors of the requirements in the Standard Operating Procedures (SOP) for complying with quality control procedures, including the audit report checklist, the project quality control checklist, the independent reference review checklist, and the independent reference review certification.

DeCA Response: CONCUR. The current DeCA Internal Review Office Chief is in the process of updating DeCAM 90-05.01, Internal Audit Manual, and has rescinded the SOP. All changes to Quality Control Procedures and the associated checklists will be addressed in Section 9, System of Quality Control, in DeCAM 90-05.01 IAW the 2018 revision of the GAS. Estimated completion date is August 15, 2022.

DoD OIG RECOMMENDATION #7: We recommend the DeCA Internal Review Office Chief issue a memorandum reminding auditors of the requirements in GAS 9.14 and the SOP for documenting the sampling methodology and design in the audit report.

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

Letter of Comments on the Defense Commissary Agency External Peer Review (cont'd)

DeCA Response: CONCUR. The current DeCA Internal Review Office Chief is in the process of updating DeCAM 90-05.01, Internal Audit Manual, and has rescinded the SOP. Section 7.5, Audit Sampling, will be updated IAW the 2018 revision of the GAS. Additionally, a master audit program was created which incorporates key planning, fieldwork and reporting audit steps to be referenced including audit sampling. The Master Audit Program is part of the audit package and required for all audits as of May 2022.

DoD OIG RECOMMENDATION #8: We recommend the DeCA Internal Review Office Chief develop a tool, such as a checklist, to ensure the timely issuance of final reports IAW the GAS and the SOP for the DeCA/ Internal Review Office.

DeCA Response: NON-CONCUR. We do not feel one report is representative of a pattern of growing concern and warrants implementation of this recommendation. Three audits were reviewed and the other two reports were issued in a timely manner. Therefore, our current task management process is sufficient and allows timely approval and issuance of final reports.

DoD OIG RECOMMENDATION #9: We recommend the DeCA Internal Review Office Chief issue a memorandum reminding auditors of the importance of completing a statement of independence annually and including a copy of the statement in the audit file for each audit, IAW the SOP for the DeCA Internal Review Office.

DeCA Response: CONCUR. The current DeCA Internal Review Office Chief created an annual independence statement that is signed by the Internal Review Office and placed into each new audit assignment that is created. It has been in effect since September 2021. Additionally, we are in the process of updating DeCAM 90-05.01, Internal Audit Manual, IAW the 2018 revision of the GAS. The SOP is now rescinded. Estimated date of completion is August 15, 2022. The Independence Statement is also added to the Master Audit Program as a key planning document that must be included in the audit package. The Master Audit Program is part of the audit package and required for all audits as of May 2022.

If you have any questions, or would like to discuss our responses to the Letter of Comment recommendations, please contact [REDACTED]

 Digitally signed by
DOWLING, MICHAEL J.
Date: 2022.05.10
13:37:40 -04'00'

Michael J. Dowling
Deputy Director

Acronyms and Abbreviations

- CPE** Continuing Professional Education
- DDR** Delivery Discrepancy Report
- DeCA** Defense Commissary Agency
- GAS** Government Auditing Standards
- IR** Internal Review
- IRR** Independent Reference Review
- SOP** Standard Operating Procedures



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