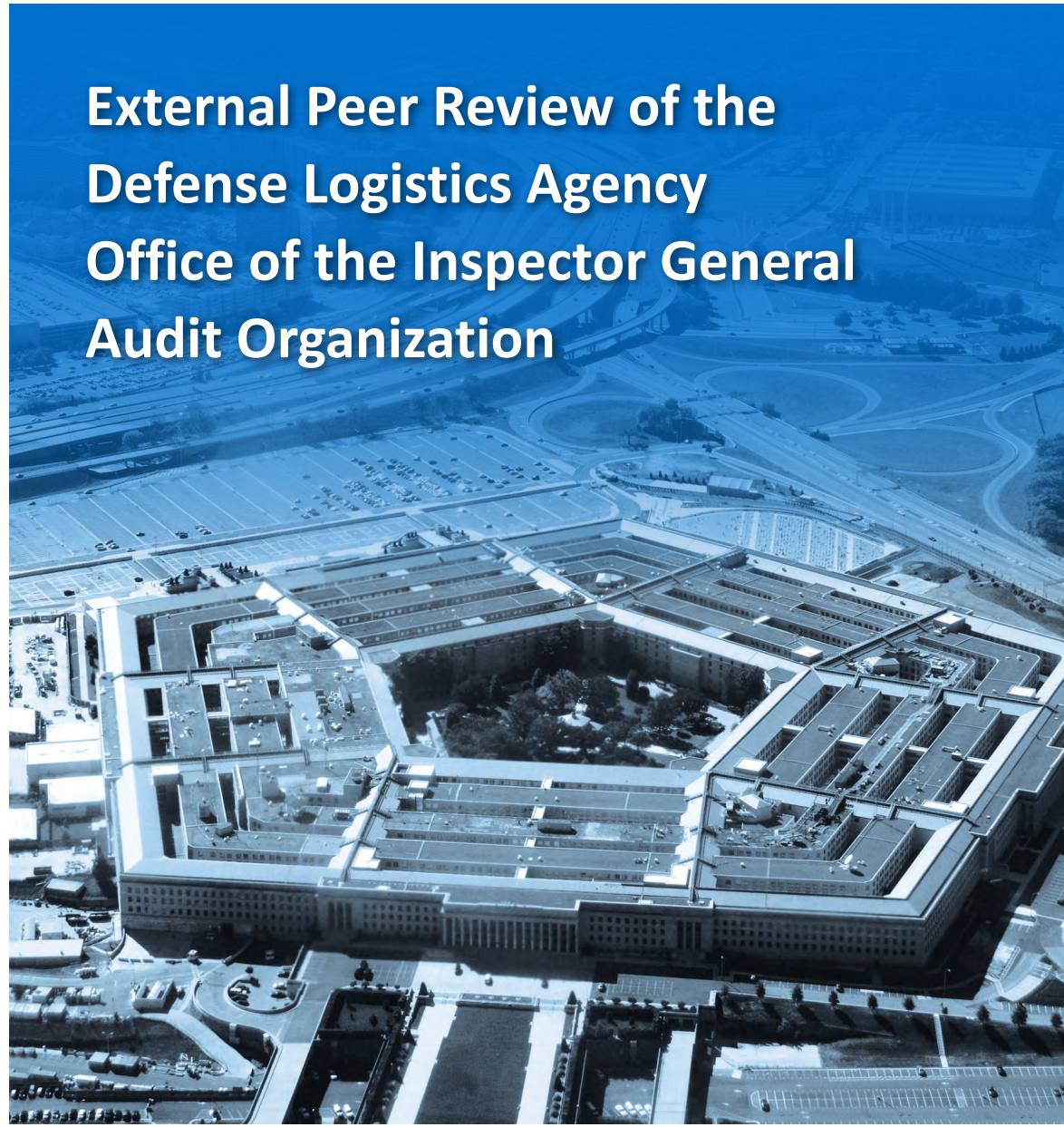




INSPECTOR GENERAL

U.S. Department of Defense

AUGUST 8, 2023



External Peer Review of the Defense Logistics Agency Office of the Inspector General Audit Organization

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





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

August 8, 2023

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: System Review Report on the External Peer Review of the Defense Logistics Agency
Office of the Inspector General Audit Organization (Report No. DODIG-2023-104)

This final report provides the results of the DoD Office of Inspector General's external peer review (peer review) on the Defense Logistics Agency Office of the Inspector General audit organization. We previously provided a draft of this 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.

Recommendation 1.a in this report is considered unresolved because the DLA OIG Deputy Inspector General for Audit did not address the specifics of the recommendation. Therefore, as discussed in the Recommendations, Management Comments, and Our Response section of this report, the recommendation remains open. We will track this recommendation until we reach an agreement on the actions that you will take to address the recommendation, and you have submitted adequate documentation showing that all agreed-upon actions are completed.

Recommendations 1.b, 1.c, and 2 in this report are considered resolved. Therefore, as described in the Recommendations, Management Comments, and Our Response sections of this report, we will close the recommendations when we receive adequate documentation showing that the agreed-upon actions to implement the recommendations are completed.

DoD Instruction 7650.3 requires that recommendations be resolved promptly. For the unresolved recommendation, within 30 days, please provide us your comments concerning specific actions in process or alternative corrective actions proposed on the recommendation. For the resolved recommendations, within 90 days please provide us documentation showing you have completed the agreed-upon actions. 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 review, please contact [REDACTED]

FOR THE INSPECTOR GENERAL:

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





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

August 8, 2023

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: System Review Report on the External Peer Review of the Defense Logistics Agency
Office of the Inspector General Audit Organization (Report No. DODIG-2023-104)

We reviewed the system of quality control for the Defense Logistics Agency (DLA) Office of the Inspector General (OIG) audit organization in effect for the 3-year period that ended on September 30, 2022. A system of quality control encompasses the DLA OIG audit organization's structure, policies adopted, and procedures established to provide it with reasonable assurance of conforming in all material respects with Government Auditing Standards and applicable legal and regulatory requirements. The elements of quality control are described in Government Auditing Standards.

In our opinion, the system of quality control for the DLA OIG audit organization in effect for the 3-year period ended on September 30, 2022, has been suitably designed and complied with to provide the DLA OIG audit organization with reasonable assurance of performing and reporting in conformity with Government Auditing Standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The DLA OIG audit organization has received an external peer review rating of *pass*.

LETTER OF COMMENT

We have issued a Letter of Comment dated August 8, 2023, 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 Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency "Guide for Conducting Peer Review of Audit Organizations of Federal Offices of Inspector General," March 2020 revision.

During our peer review, we interviewed DLA OIG audit personnel and obtained an understanding of the nature of the DLA OIG audit organization 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 and one terminated audit to test for compliance with Government Auditing Standards and the DLA OIG audit

organization system of quality control. The four audits we selected represent a reasonable cross-section of the universe of seven audits completed and one audit terminated by the DLA OIG audit organization during the 3-year period that ended on September 30, 2022.

In performing our peer review, we tested for compliance with DLA OIG audit organization quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the DLA OIG audit organization's policies and procedures on the four selected audits. We based our review on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instance of noncompliance with it.

On May 9, 2023, we held an exit conference with DLA OIG representatives to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. The Enclosure identifies the scope and methodology, including our basis for selecting the four projects we reviewed.

RESPONSIBILITIES AND LIMITATIONS

The DLA OIG audit organization is responsible for establishing and maintaining a system of quality control designed to provide it with reasonable assurance that the organization and its personnel comply in all material respects with Government Auditing 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 DLA OIG audit organization's compliance based on our review.

Inherent limitations exist in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected.

The 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.

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

FOR THE INSPECTOR GENERAL:



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

Enclosure
As stated

Enclosure

Scope and Methodology

We conducted this peer review from October 2022 through May 2023 in accordance with Government Auditing Standards and the Council of 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 to ensure compliance with Government Auditing Standards, and
- the audit organization is complying with Government Auditing Standards and internal policies and procedures.

This peer review covered the 3-year period from October 1, 2019, through September 30, 2022. We tested compliance with the DLA OIG audit organization’s system of quality control to the extent we considered appropriate. We selected projects that would provide a reasonable cross-section of projects the DLA OIG audit organization completed during the 3-year review period. For example, we chose performance audits that resulted in the selection of various DLA OIG audit supervisors and auditors assigned to each DLA OIG Audit Office.¹

Policies and Procedures (CIGIE Appendix A)

We reviewed the DLA OIG audit organization’s audit policies and procedures to determine whether the policies and procedures complied with Government Auditing Standards. We requested that the DLA OIG audit organization complete Column 1 of the CIGIE Appendix A, “Policies and Procedures,” and provide a copy of relevant audit policies and procedures. We recorded our conclusions and comments on whether the policies and procedures were adequate and complied with Government Auditing Standards in Column 2 of Appendix A. We concluded that the policies and procedures were adequate and complied with Government Auditing Standards.

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

Using the CIGIE Guide’s Appendix B checklist, we tested the DLA OIG audit organization for compliance with the Government Auditing Standards’ general standards. The general standards consist of independence, competence and continuing professional education (CPE), and quality control and peer review.

¹ As of April 10, 2023, the DLA OIG audit organization had audit offices at Fort Belvoir, Virginia; Battle Creek, Michigan; New Cumberland, Pennsylvania; Philadelphia, Pennsylvania; and Richmond, Virginia.

Independence

We reviewed DLA OIG audit organization independence records for the 16 auditors assigned to the four projects we reviewed. A supervisor did not sign the Statement of Independence for one of the four auditors assigned to one performance audit we reviewed. See the Letter of Comment, Finding 3, for additional details.

Competence and Continuing Professional Education

We interviewed a nonstatistical sample of 10 of the 16 auditors employed by the DLA OIG audit organization as of January 10, 2023. The sample included a mix of supervisors and auditors that would provide a reasonable cross-section of auditors assigned to the five DLA OIG offices. We interviewed the supervisors and auditors to determine their understanding of, and compliance with, Government Auditing Standards and the DLA OIG audit organization quality control policies and procedures. Based on the interview results, we concluded that the auditors are competent and have an adequate understanding of Government Auditing Standards and DLA OIG audit organization policies and procedures.

We also nonstatistically selected a sample of 9 of the 18 auditors employed by the DLA OIG audit organization during the most recently completed 2-year CPE reporting period to determine whether they obtained CPE hours required by Government Auditing Standards. The last 2-year CPE reporting period covered FY 2020 and FY 2021. Of the nine auditors, eight met the CPE requirements. The DLA OIG audit organization could not provide sufficient evidence that the remaining auditor had met the CPE requirements. Also, the DLA OIG audit organization did not maintain adequate training records for its auditors. See the Letter of Comment, Finding 1, for additional details.

Quality Control and Peer Review

We reviewed the three internal quality control reviews that the DLA OIG audit organization completed during the 3-year review period to determine whether the DLA OIG audit organization:

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

The DLA OIG audit organization complied with Government Auditing Standards for monitoring of quality procedures.

Checklist for Performance Audits (CIGIE Guide Appendix E)

For the 3-year review period that ended on September 30, 2022, the DLA OIG audit organization completed seven performance audits. We nonstatistically selected a sample of three performance audits for our review. We chose audits that would provide a reasonable cross-section of performance audits that the DLA OIG audit organization conducted during the 3-year period. For example, we chose performance audits that resulted in the selection of various DLA OIG audit supervisors and auditors. We reviewed the performance audits for compliance with Government Auditing Standards using Appendix E of the CIGIE Guide. Two of the three performance audits did not fully comply with Government Auditing Standards and DLA OIG Quality Control and Assurance Procedures. See the Letter of Comment, Findings 2 and 3, for additional details. Table 1 lists the three performance audits we selected for our review.

Table 1. Performance Audits Selected for Review

Audit Title	Report Number	DLA OIG Audit Office
Audit of DLA's Enterprise Help Desk	DLA OIG-FY22-02	Fort Belvoir, Virginia
Audit of Contractor Teaming Arrangements	DLA OIG-FY22-01	Richmond, Virginia
Audit of DLA Distribution Inventory Adjustments	DLA OIG-FY22-03	Battle Creek, Michigan

Source: The DoD OIG.

Terminated Audit (CIGIE Guide Risk Assessment Procedures)

For the 3-year period that ended on September 30, 2022, the DLA OIG audit organization terminated one audit. We reviewed the audit documentation for terminated Project No. FY20-DLA OIG-01, "Audit of Contractor Support for Audit Readiness," to determine whether the auditors complied with Government Auditing Standards requirements for documenting the results of the work to date of the termination and the reason why the auditors terminated the audit. The DLA OIG auditors complied with Government Auditing Standards when they terminated the audit.

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 a peer review of the DLA OIG audit organization. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

Report No. DODIG-2020-81, "System Review Report on the Defense Logistics Agency Office of the Inspector General Audit Organization," April 28, 2020

The DoD OIG evaluated whether the DLA OIG audit organization's system of quality control in effect for the period ended September 30, 2019, was designed and complied with to provide the DLA OIG audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The DLA OIG audit organization received an external peer review rating of *pass*.



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

August 8, 2023

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Letter of Comment on the External Peer Review of the Defense Logistics Agency
Office of the Inspector General Audit Organization (Report No. DODIG-2023-104)

We reviewed the system of quality control for the Defense Logistics Agency (DLA) Office of the Inspector General (OIG) audit organization in effect for the 3-year period that ended on September 30, 2022, and issued our System Review Report on August 8, 2023, in which the DLA OIG audit organization received a rating of *pass*. The findings in this Letter of Comment should be read in conjunction with the System Review Report. We considered the nature, pervasiveness, and relative importance of the findings and the extent of compliance with Government Auditing Standards taken as a whole. The findings do not rise to the level of a deficiency as defined in 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."² Therefore, the findings were not significant enough to affect the opinion rendered in the System Review Report.

Finding 1. The DLA OIG Audit Organization Did Not Keep Accurate Continuing Professional Education Records

The DLA OIG audit organization did not keep accurate records of CPE hours earned by its auditors in FY 2020 and FY 2021. As a result, the DLA OIG audit organization could not demonstrate whether one of the nine DLA OIG auditors we sampled met the CPE hours required by Government Auditing Standards.

GAS 4.16 states that auditors who plan, direct, perform, or report on an engagement in accordance with Government Auditing Standards should develop and maintain their professional competence by completing at least 80 hours of CPE in every 2-year period, consisting of:

- 24 hours of subject matter directly related to the government environment, government auditing, or the specific or unique environment in which the audited entity operates; and
- 56 hours of subject matter that directly enhance auditor professional expertise to conduct engagements.

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 deficiency as one or more findings that could create a situation in which the audit organization would not have reasonable assurance of performing and reporting in conformity with applicable professional standards in one or more important respects.

Additionally, GAS 4.17 states that auditors should complete at least 20 CPE hours in each year of the 2-year period. Also, GAS 4.18 states that the audit organization should maintain documentation of each auditor’s CPE hours earned. Lastly, GAS 4.51 states that 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 DLA OIG CPE Tracking Spreadsheet Was Not Reliable and Did Not Match the CPE Completion Certificates Kept by Four of Nine Auditors

The DLA OIG audit organization’s CPE tracking spreadsheet was not reliable and did not match the CPE completion certificates kept by four of nine auditors we sampled. The DLA OIG audit organization maintains the spreadsheet to track CPE hours earned by auditors and to ensure that the auditors comply with CPE requirements. The spreadsheet includes the name of the DLA OIG auditor, the training course, the date the auditor took the training, and the number of CPE hours they earned.

We reviewed the CPE documentation for a sample of 9 of 18 auditors that worked at the DLA OIG audit organization during the 2-year CPE reporting period covering FY 2020 and FY 2021. We compared the CPE tracking spreadsheet maintained by the DLA OIG audit organization to the CPE completion certificates maintained by the nine auditors. The tracking spreadsheet contained discrepancies for four of the nine auditors. Table 2 identifies the CPE discrepancies associated with the four auditors.

Table 2. CPE Discrepancies at the DLA OIG Audit Organization

Sampled Auditor	CPE Hours Earned		Difference
	DLA OIG Tracking Spreadsheet	CPE Certificates	
1	49.0	66.0	17.0
2	146.0	150.0	4.0
3	89.5	93.0	3.5
4	84.0	156.0	72.0
Total Difference			96.5

Source: The DoD OIG.

The tracking spreadsheet for the first auditor listed in Table 2 reflected that the auditor had earned 49 CPE hours during the 2-year reporting period, and did not meet the 20-hour, 56-hour, or 80-hour CPE requirements. However, the CPE completion certificates kept by the auditor reflected that the auditor had earned 66 CPE hours. In addition to the 66 hours, the auditor received a CPE certificate for a 2-week course, which did not reflect the number of earned CPE hours. The DoD OIG had hosted the 2-week course and attendees could earn up to 66.5 CPE hours. The DoD OIG instructed the audit organizations to determine the

actual CPE hours earned by each of their attending auditors and issue a CPE certificate to them. In May 2023, after we brought this matter to their attention, the DLA Deputy Inspector General for Audit issued a CPE certificate to the auditor in the amount of 66.5 CPE hours for attending the 2-week course. If the DLA OIG audit organization had issued the CPE certificate to the auditor in a timely manner, the auditor would have been able to readily demonstrate their compliance with all CPE requirements during this review.

We also identified discrepancies for the remaining three auditors listed in Table 2. However, the auditors were able to demonstrate that they met the CPE requirements for the 2-year CPE reporting period based on our review of their CPE completion certificates. We identified two reasons for most of the tracking spreadsheet discrepancies.

- **Inadequate Controls.** The DLA OIG audit organization did not maintain adequate controls to ensure that the CPE tracking spreadsheet matched the CPE completion certificates kept by the auditors. For example, the DLA OIG did not periodically distribute the spreadsheet to the auditors, which may have helped to verify the accuracy of the spreadsheet and inform the auditors of their progress toward meeting the CPE requirements.
- **Not Recording all CPE Hours Earned.** The DLA OIG audit organization did not record CPE hours earned in the spreadsheet once an auditor met the 80-hour CPE requirement for the 2-year reporting period. For example, the CPE tracking spreadsheet showed that one auditor completed 84 CPE hours. However, based on CPE certificates maintained by the auditor, the auditor actually earned 156 CPE hours.

The DLA OIG Audit Organization Could Not Demonstrate the Actual Number of CPE Hours Earned

As a result of the CPE tracking spreadsheet discrepancies, the DLA OIG audit organization could not demonstrate with reasonable certainty the actual number of CPE hours that auditors earned for the 2-year reporting period.

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.

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 competent auditors and detect and correct instances of auditors who may be in jeopardy of not meeting the CPE requirements.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Defense Logistics Agency Office of the Inspector General Deputy Inspector General for Audit:

- a. **Develop and implement controls to ensure the continuing professional education tracking spreadsheet is accurate.**
- b. **Record all continuing professional education hours earned by auditors on the continuing professional education tracking spreadsheet.**
- c. **Consider periodically distributing the continuing professional education tracking spreadsheet to auditors and requesting them to verify the spreadsheet hours against their continuing professional education completion certificates.**

Defense Logistics Agency Inspector General Comments

The Defense Logistics Agency Inspector General, responding for the Deputy Inspector General for Audit, agreed with the recommendation, stating that the DLA OIG audit organization completed the corrective actions necessary to address the recommendation. In addition to their management comments attached to this report, the DLA OIG Deputy Inspector General for External Audit Liaison provided supporting documentation of the corrective actions. The corrective actions included establishing a SharePoint site to track CPE hours, which the DLA OIG auditors can access to upload and review their CPE records. Also, the Deputy Inspector General for Audit stated that the DLA OIG audit organization added the CPE tracking spreadsheet to the SharePoint site, and is still using the spreadsheet to track CPE hours. Based on the corrective actions, the Inspector General requested that we close all parts of Recommendation 1.

Our Response

Comments from the Inspector General partially addressed the specifics of Recommendation 1. Specifically, Recommendation 1.a is unresolved and Recommendations 1.b and 1.c are resolved, but will remain open.

Recommendation 1.a is unresolved because neither the management comments nor the corrective actions addressed the specifics of what controls the audit organization will develop and implement to ensure the accuracy of the CPE tracking spreadsheet. For example, the management comments did not reflect what measures the DLA OIG audit organization will take to periodically verify the accuracy of the CPE hours on the tracking spreadsheet. In July 2023, we met with the DLA OIG Inspector General for Audit to explain the types of corrective actions the DLA OIG audit organization needs to plan and implement to address

the specifics of Recommendation 1.a. We request that the Deputy Inspector General for Audit provide additional comments, within 30 days, in response to this final report detailing their plan for addressing Recommendation 1.a.

Recommendation 1.b is resolved because the DLA OIG audit organization has established a SharePoint site that will allow auditors to record all CPE hours. We will close Recommendation 1.b once the DLA OIG audit organization has demonstrated that auditors are recording all CPE hours earned, regardless of whether the auditors have met the 80-hour CPE requirement.

Recommendation 1.c is resolved because the DLA OIG audit organization has established a SharePoint site, which enables the auditors to access the tracking spreadsheet and record CPE hours as they earn them. We will close Recommendation 1.c once the DLA OIG audit organization demonstrates that it has added the tracking spreadsheet to the SharePoint site and established a process for the auditors to periodically verify the spreadsheet hours against their CPE completion certificates.

Finding 2. One of Three Audit Reports Did Not Comply with Two Reporting Standards

For one of the three performance audits we reviewed, the audit report did not comply with two Government Auditing Standards for reporting. Specifically, Report No. DLAOIG-FY22-02, “Audit of DLA’s Enterprise Help Desk,” did not:

- clearly communicate the audit objectives, and
- make a recommendation that flowed logically from the findings.³

The Report Did Not Communicate the Audit Objective in a Clear Manner

The report did not communicate the audit objective in a clear manner. GAS 9.11 states that auditors should communicate audit objectives in the audit report in a clear, specific, neutral, and unbiased manner. The working papers indicate that, 2 months after the audit began, the auditors revised the audit objective for Report No. DLAOIG-FY22-02 to focus on internal controls and to better align the audit with DLA’s focus on audit readiness. Table 3 identifies the original and revised audit objective for Report No. DLAOIG-FY22-02.

³ Report No. DLAOIG-FY22-02, “Audit of DLA’s Enterprise Help Desk,” January 19, 2022.

Table 3. Original and Revised Audit Objective for Report No. DLAOIG-FY22-02, “Audit of DLA’s Enterprise Help Desk”

Original Audit Objective	Revised Audit Objective
<p>To determine whether the contract established metrics for the J6 Enterprise Help Desk (EHD). Specifically, we will determine:</p> <ul style="list-style-type: none"> • How the EHD calculates metrics. • If the EHD met established metrics. • If the EHD response time is adequate for high priority IT tickets. • How frequently IT tickets are closed without resolution and reopened for the same issue. 	<p>To determine whether J6 had internal controls in place and operating over the J6 Enterprise Help Desk (EHD). Specifically, we will determine:</p> <ul style="list-style-type: none"> • How the EHD calculates metrics. • If the EHD met established metrics. • If the EHD response time is adequate for high priority IT tickets. • How frequently IT tickets are closed without resolution and reopened for the same issue.

Source: The DoD OIG.

In four different sections of the audit report, the report contained either the original audit objective, the revised audit objective, or part of the revised audit objective. For example, the Executive Summary and transmittal memorandum of the report included the revised audit objective, stating that the audit objective was to determine whether J6 had internal controls in place and operating over the J6 Enterprise Help Desk.⁴ However, the scope and methodology section of the audit report included the original audit objective, stating that the audit objective was to determine whether the contract established metrics for the J6 Enterprise Help Desk. These inconsistencies resulted in an unclear reported audit objective.

To avoid potential misunderstanding, auditors should report on audit objectives in a clear, consistent, and unambiguous manner. Clearly written audit objectives that align with the reported findings help users of the report understand the purpose of the audit, the nature and extent of the work performed, and the context and perspective of what is reported.

The Report Recommendation Did Not Flow Logically from the Findings

Report No. DLAOIG-FY22-02 included a recommendation that did not flow logically from the reported findings. GAS 9.23 states that auditors should make recommendations that flow logically from the findings and conclusions, are directed at resolving the cause of identified deficiencies and findings, and clearly state the actions recommended.

In Report No. DLAOIG-FY22-02, the auditors recommended that the audited entity establish internal controls for monitoring the enterprise help desk service-based contractor performance, taking into account the criticality, volume, and dollar value of the contract. The recommendation did not flow logically from the findings because the audit report included conflicting conclusions. The report concluded that the audited entity, “had some internal controls in place and operating over the enterprise help desk.” However, the report also concluded that the audited entity, “did not have internal controls in place over the

⁴ J6 provides comprehensive and best practice technological support to the DLA Logistics Business Community.

enterprise help desk.” The working papers also included the same two conflicting conclusions. Based on our discussions with the supervisory auditor, the auditors determined that the audited entity did not have any internal controls for the enterprise help desk.

Auditors should develop logical recommendations to assist in the report’s clarity and understandability. In addition, accurate and consistent findings and conclusions help to convince the audited entity’s management of the need to improve performance and operations and initiate corrective action.

The DLA OIG Audit Organization Took Corrective Action During Our Review

During our review, the DLA OIG audit organization took corrective action to address Finding 2. In May 2023, the DLA Deputy Inspector General for Audit issued a memorandum to remind the auditors that the audit objective must be clear and recommendations need to flow logically from the findings when they prepare working papers and audit reports.

Additionally, the Deputy Inspector General for Audit requested the Deputy Inspector General for External Audit Liaison, who completes the final project review, to increase their focus on ensuring the clarity of audit objectives and the logical flow of recommendations from the findings.

The corrective actions should help to ensure that the auditors communicate audit objectives in the audit report in a clear manner and make recommendations that flow logically from the reported findings, as required by GAS 9.11 and 9.23. Therefore, we are not making a recommendation.

Finding 3. A Supervisor Did Not Sign an Auditor’s Statement of Independence

For one of the three performance audits we reviewed, the supervisor did not sign the Statement of Independence for one of the four auditors assigned to the audit. In accordance with DLA OIG Quality Control and Assurance Procedures, Section 2122, the supervisor must sign a Statement of Independence to confirm that an auditor has no actual or potential threats related to an audit.

The supervisor did not sign the Statement of Independence for one auditor assigned to Project No. FY20-DLAOIG-07, “Audit of Contractor Teaming Arrangements.”⁵ The supervisor told us that the auditor submitted the Statement of Independence to them for review and approval. However, the supervisor returned the Statement to the auditor unsigned, believing they had

⁵ Report No. DLAOIG-FY22-01, “Audit of Contractor Teaming Arrangements, December 10, 2021.

signed it. The auditor then included the unsigned Statement in the project file. Although the supervisor did not sign the Statement, we found no evidence that the auditor's independence was actually compromised.

The supervisor's signature on a Statement of Independence is an important quality control step that should be completed. The signature provides evidence that the supervisor evaluated an auditor's independence considerations related to the audit and considered whether any mitigating actions were needed.

Recommendations, Management Comments, and Our Response

Recommendation 2

We recommend that the Defense Logistics Agency Office of the Inspector General Deputy Inspector General for Audit develop and implement a tool, such as a checklist, to ensure that supervisors sign an auditor's Statement of Independence at the beginning of an audit in accordance with Defense Logistics Agency Office of the Inspector General Quality Control and Assurance Procedures, Section 2122.

Defense Logistics Agency Inspector General Comments

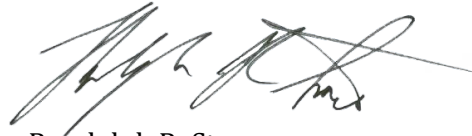
The Defense Logistics Agency Inspector General, responding for the Deputy Inspector General for Audit, agreed with the recommendation, stating that the DLA OIG audit organization completed corrective actions necessary to address the recommendation. Therefore, the Inspector General requested that we close Recommendation 2. In addition to their management comments attached to this report, the DLA OIG Deputy Inspector General for External Audit Liaison provided supporting documentation of the corrective actions. One of the corrective actions involved the Deputy Inspector General for Audit sending an email to remind the auditors of the importance of independence and related Government Auditing Standards requirements. Additionally, the Deputy Inspector General for Audit directed that the auditors modify the DLA OIG Quality Control Checklist for Performance Audits to verify that the audit manager has signed all Statements of Independence and uploaded them to the project file. The Deputy Inspector General also stated that the organization will formally incorporate the checklist modification during the next update of the DLA OIG Quality Control and Assurance Procedures.

Our Response

Comments from the Inspector General addressed the specifics of the recommendation. Therefore, the recommendation is resolved; but will remain open. We will close the recommendation once the DLA OIG audit organization has demonstrated that it has modified the checklist and formally incorporated the modified checklist in the DLA OIG Quality Control and Assurance Procedures.

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

FOR THE INSPECTOR GENERAL:

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

Management Comments

Defense Logistics Agency Inspector General



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD
FORT BELVOIR, VIRGINIA 22060-6221

29 June 2023

MEMORANDUM FOR DEPARTMENT OF DEFENSE ASSISTANT INSPECTOR
GENERAL FOR EVALUATIONS, SPACE, INTELLIGENCE, ENGINEERING, AND
OVERSIGHT

SUBJECT: Response to Draft Audit Report: External Peer Review of the Defense Logistics
Agency Office of the Inspector General Audit Organization (Project No. D2023-
DEVOSO-0007.000)

The Defense Logistics Agency (DLA) appreciates the team's efforts in performing this review and the opportunity to review and provide input to this draft audit report. DLA reviewed the report and concurs with the findings and recommendations as presented. DLA has completed corrective actions necessary to address the recommendations and provided verifying documentation under separate cover. DLA requests closure of recommendations 1 and 2.

The point of contact (POC) for this effort is [REDACTED]

RIGBY.WILLIA M.ALLEN. [REDACTED]
WILLIAM A. RIGBY
Inspector General

Digitally signed by
RIGBY.WILLIAM.ALLEN
Date: 2023.06.29
16:47:40 -04'00'

Acronyms and Abbreviations

- CIGIE** Council of the Inspectors General on Integrity and Efficiency
- CPE** Continuing Professional Education
- DLA** Defense Logistics Agency
- EHD** Enterprise Help Desk
- GAS** Government Auditing Standards
- OIG** Office of the Inspector General



Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

Whistleblower Protection safeguards DoD employees against retaliation for protected disclosures that expose possible fraud, waste, 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

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

Congressional Liaison

703.604.8324

Media Contact

public.affairs@dodig.mil; 703.604.8324

DoD OIG Mailing Lists

www.dodig.mil/Mailing-Lists/

Twitter

www.twitter.com/DoD_IG

DoD Hotline

www.dodig.mil/hotline



DEPARTMENT OF DEFENSE | INSPECTOR GENERAL

4800 Mark Center Drive
Alexandria, VA 22350-1500
www.dodig.mil
DoD Hotline 1.800.424.9098

