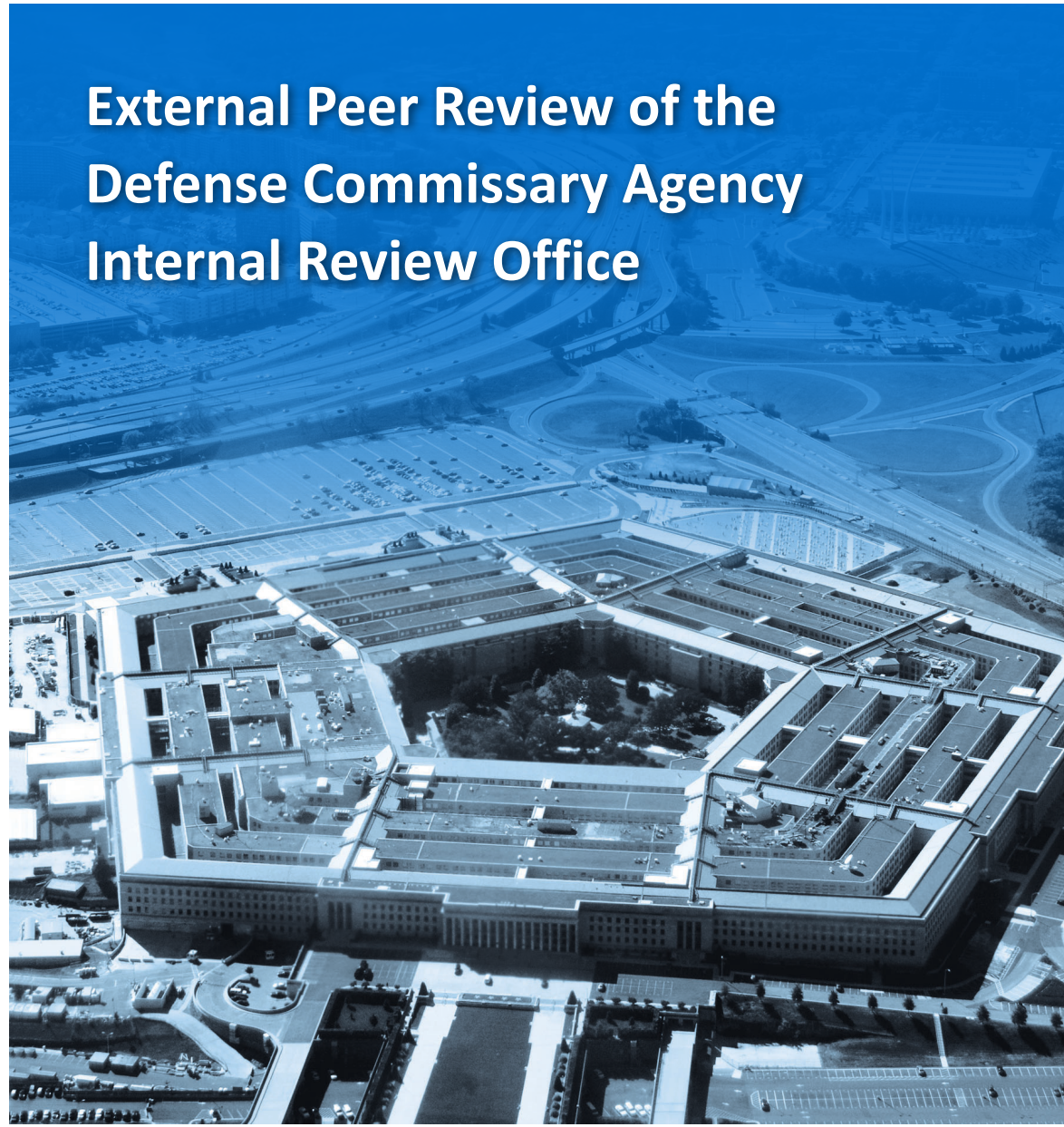




INSPECTOR GENERAL

U.S. Department of Defense

MARCH 11, 2025



External Peer Review of the Defense Commissary Agency Internal Review Office

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY





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

March 11, 2025

MEMORANDUM FOR DIRECTOR, DEFENSE COMMISSARY AGENCY

**SUBJECT: External Peer Review of the Defense Commissary Agency Internal Review Office
(Report No. DODIG-2025-077)**

This final report provides the results of the DoD Office of Inspector General's external peer review of the Defense Commissary Agency Internal Review (DeCA IR) Office. We previously provided copies of the draft report and requested written 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.

This report contains one recommendation that we consider unresolved because the DeCA IR Chief did not fully address the recommendation presented in the report. We will track the recommendation until the DeCA IR Chief agrees to take actions that we determine to be sufficient to meet the intent of the recommendations and provides adequate documentation showing that all agreed-on actions to implement the recommendations are complete.

This report contains two recommendations that we consider resolved but open. We will close the recommendations when the DeCA IR Chief provides adequate documentation showing that all agreed-on actions to implement the recommendations are complete.

DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore, please provide us within 30 days your response concerning specific actions in process or completed or alternative corrective actions proposed on the recommendation. Send your response to [REDACTED]

We appreciate the cooperation and assistance we received during the peer review. If you have any questions, please contact [REDACTED]

A handwritten signature in black ink, appearing to read "Randolph R. Stone", is located 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**

March 11, 2025

MEMORANDUM FOR DIRECTOR, DEFENSE COMMISSARY AGENCY

**SUBJECT: External Peer Review of the Defense Commissary Agency Internal Review Office
(Report No. DODIG-2025-077)**

We reviewed the system of quality control for the Defense Commissary Agency (DeCA) Internal Review (IR) Office in effect for the 3-year review period that ended on January 31, 2024.

A system of quality control encompasses the DeCA IR Office's structure, adopted policies, and established procedures to provide it with reasonable assurance of conforming in all material respects with Government Auditing Standards (GAS) and applicable legal and regulatory requirements.¹ The elements of quality control are described in GAS.

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 review period that ended on January 31, 2024, was suitably designed and complied with to provide the DeCA IR Office with reasonable assurance of performing and reporting in conformity with GAS and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The DeCA IR Office 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 and the extent of compliance with GAS and DeCA IR Office policies and procedures. We considered 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 GAS as a whole. The deficiencies we identified 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 identified 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 Audit Organizations of Federal Offices of Inspector General," (CIGIE Guide) which is required to support a *fail* rating.² Therefore, we determined that our review supports a *pass with deficiencies* rating for the DeCA IR Office.

¹ GAS, 2018 Revision, April 2021 Technical Update.

² CIGIE Guide, 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.

Basis of Opinion

We conducted our peer review in accordance with GAS and the CIGIE Guide. We interviewed all five auditors assigned to the DeCA IR Office and obtained an understanding of the nature of the DeCA IR Office and the design of its system of quality control. The understanding we obtained was sufficient to assess the risks implicit in DeCA IR Office audit functions. Based on our assessment of the risks, we nonstatistically selected two of three performance audits that the DeCA IR Office completed from February 1, 2021, through January 31, 2024. We also selected one of three performance audits that the DeCA IR Office terminated from February 1, 2021, through January 31, 2024. The three audits represent a reasonable cross section of the universe of six audits that the DeCA IR Office completed and terminated during the 3-year review period that ended on January 31, 2024.

We also 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 three audits we selected. We based our review on selected tests; therefore, our review could not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

On December 10, 2024, we held an exit conference with the DeCA IR management representatives to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. Appendix A of this report identifies our scope and methodology, including our basis for selecting the three performance audits.

Responsibilities and Limitations

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

Deficiency 1. DeCA IR Office Policies and Procedures Do Not Adequately Address Four Areas of GAS and Do Not Incorporate Previous Recommendations

The DeCA IR Office's policies and procedures do not adequately address four areas of GAS and do not incorporate recommendations from our previous peer review of the DeCA IR Office. GAS 5.02 states that an audit organization conducting engagements in accordance with GAS must establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements. Additionally, GAS 5.03 states that an audit organization's system of quality control includes policies and procedures that are designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements.

DeCA IR Office Policies and Procedures Do Not Adequately Address Four Areas of Government Auditing Standards

We identified four areas where the DeCA IR Office policies and procedures do not adequately address the GAS requirements: independence, quality control and peer review, fieldwork for performance audits, and reporting for performance audits.

- **Independence.** The DeCA IR Office does not have adequate policies and procedures for implementing some of the GAS requirements for ensuring independence of its auditors. For example, the policies and procedures do not require auditors who previously provided nonaudit services for an entity to evaluate the effect of those nonaudit services on independence before agreeing to conduct an engagement (GAS 3.83).
- **Quality control and peer review.** The DeCA IR Office policies and procedures are partially inadequate related to the GAS requirements of quality control and peer review. For example, the DeCA IR Office does not have policies and procedures for human resources that are designed to provide the audit organization with reasonable assurance that it has personnel with the competence to conduct GAS engagements in accordance with professional standards and applicable legal and regulatory requirements (GAS 5.15).
- **Fieldwork for performance audits.** The DeCA IR Office does not have policies and procedures requiring that its auditors comply with several fieldwork standards for conducting performance audits. For example, the policies and procedures do not require auditors to obtain sufficient, appropriate evidence that provides a reasonable basis for addressing the audit objectives and supporting the findings and conclusions, including the requirement for the auditors to assess whether evidence is relevant, valid, and reliable (GAS 8.91).

- **Reporting for performance audits.** The DeCA IR Office policies and procedures do not address all GAS requirements for reporting on performance audits. For example, the policies and procedures do not require that auditors place their findings in perspective by describing the nature and extent of the issues being reported and the extent of the work performed that resulted in the findings (GAS 9.21).

We identified these four areas of inadequacy based on our use of CIGIE Guide Appendix A, “Policies and Procedures.” Appendix A includes 96 questions applicable to the DeCA IR Office designed to determine: (1) the adequacy of the audit policy and procedures of the reviewed audit organization and (2) whether those policies and procedures, if properly adopted and implemented, would provide the reviewed audit organization with reasonable assurance of complying with GAS. Of the 96 questions, we identified inadequacies or partial inadequacies associated with 45 (47 percent) questions, which involve standards for independence, quality control and peer review, fieldwork for performance audits, and reporting for performance audits. Table 2 in Appendix B of this report provides a list of the 45 CIGIE Guide Appendix A questions for which we determined the DeCA IR Office policies were either inadequate or inadequate in part.

The policy and procedure inadequacies resulted from the DeCA IR Office’s rescission of its standard operating procedures (SOPs) in April 2022.³ Before April 2022, the DeCA IR Office policies and procedures consisted of DeCA Manual 90-05.01 (DeCA Manual) and the SOPs.⁴ In our previous peer review of the DeCA IR Office, we concluded that the policies and procedures contained in the two documents were adequate and complied with GAS, except for the policies and procedures on quality control, which needed improvement. The DeCA IR Chief stated that the SOPs were rescinded because they were not subjected to the DeCA publication approval process, outlined in DeCA Manual 05-01.01, “Publications Program.”⁵ Therefore, the SOPs were not considered an official DeCA IR issuance.

After the DeCA IR Office rescinded the SOPs, the DeCA IR Chief prepared a draft revision of the DeCA Manual and submitted it for approval in October 2022. As of October 22, 2024 (2 years later), the draft revised manual was still not approved or implemented. We asked the DeCA IR Chief why the revised manual was not approved. The DeCA IR Chief stated that approval was delayed to prioritize other, older DeCA publications that were overdue for review and approval.⁶ The DeCA Administration Division Chief is responsible for reviewing and approving new and revised DeCA directives, manuals, and instructions.

³ DeCA IR Office SOPs, August 9, 2019.

⁴ DeCA Manual 90-05.01, “Internal Review Manual,” August 9, 2019.

⁵ DeCA Manual 05-01.01, “Publications Program,” July 26, 2021. The DeCA publication program was established for the development, coordination, review, approval, and publication of DeCA issuances.

⁶ DeCA issuances are reviewed by the DeCA Administration Division Chief and DeCA human resources and general counsel personnel.

However, we determined the draft revised manual will not correct the inadequacies we identified in the four areas. Therefore, the DeCA IR Chief should make additional revisions to the draft DeCA Manual to address the inadequacies and resubmit it for review and approval. Then, the DeCA Director should ensure that the DeCA Administration Division Chief reviews and approves the draft revision of the DeCA Manual in a timely manner.

The DeCA IR Office Has Not Implemented Policy and Procedure Recommendations from Our Previous External Peer Review

The DeCA IR Office has not implemented policy and procedure recommendations from our previous peer review report of the DeCA IR Office we issued in June 2022.⁷ In the report, we made nine recommendations for improvement in the areas of independence, monitoring of quality, quality control, reporting, and nonaudit services. The DeCA IR Chief addressed the recommendations as part of drafting the revision to the DeCA Manual, discussed in the previous section. We determined that the draft revision adequately addresses the nine recommendations. However, as of October 22, 2024, the revised manual was not approved or implemented. Once the DeCA IR Office makes further revisions to correct the inadequacies discussed in the previous section, the DeCA IR Chief needs to resubmit the DeCA Manual to the DeCA Administration Division Chief for approval.

We considered the significance of the DeCA policy and procedure inadequacies that resulted from rescinding the DeCA SOPs and not implementing the previous peer review recommendations. We assessed the nature, pervasiveness, and relative importance of the inadequacies against the DeCA IR Office's system of quality control and the extent of compliance with GAS as a whole. We concluded that the inadequacies qualify as a deficiency because they 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, the inadequacies do not qualify as a significant deficiency based on the CIGIE Guide definition. We reached this conclusion in part because our review of the two selected performance audits did not identify any noncompliances in practice that resulted from the inadequacies. However, the DeCA IR Office should avoid any further delays in correcting the inadequacies to help ensure that the DeCA IR Office auditors comply with GAS in future audits.

⁷ DoD Office of Inspector General Report No. DODIG-2022-101, "External Peer Review of the DeCA IR Office," June 2, 2022. The DoD Office of Inspector General identified deficiencies involving monitoring of quality, continuing professional education, and nonaudit services. In addition, the DoD Office of Inspector General identified findings in the Letter of Comment involving independence, quality control, and reporting. Eight of the nine recommendations in our report resulted in the DeCA IR Office stating that it would update its policies and procedures to help ensure compliance with GAS. The remaining recommendation related to training audit staff on the requirements for nonaudit services. The DeCA IR Chief provided the nonaudit services training to the audit staff in May 2024; therefore, we closed the recommendation.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Defense Commissary Agency Internal Review Chief develop policies and procedures to describe how the Defense Commissary Agency Internal Review Office addresses Government Auditing Standards in the following areas.

- a. Independence
- b. Quality control and peer review
- c. Fieldwork for performance audits
- d. Reporting for performance audits

Defense Commissary Agency Deputy Director Comments

The DeCA Deputy Director, responding for the DeCA IR Office Chief, partially agreed and stated that the policies and procedures for the four areas of GAS exist and will be updated and republished in DeCA Manual 90-05.01 no later than March 31, 2025.

Our Response

Comments from the Deputy Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but open. We will close the recommendation once the DeCA IR Office Chief provides a copy of DeCA Manual 90-05.01 that includes policies and procedures that address the four areas of GAS.

Recommendation 2

We recommend that the Defense Commissary Agency Director direct the Administration Division Chief to approve and implement Defense Commissary Agency Manual 90-05.01, “Internal Review Manual,” in a timely manner after the Internal Review Chief develops policies and procedures in response to Recommendation 1.

Defense Commissary Agency Deputy Director Comments

The DeCA Deputy Director, responding for the DeCA IR Office Chief, agreed and stated that subject matter experts are performing a review of DeCA Manual 90-05.1 and authorization for the publication of DeCA Manual 90-05.1 will occur no later than March 31, 2025.

Our Response

Comments from the Deputy Director addressed the recommendation; therefore, the recommendation is resolved but open. We will close the recommendation once the DeCA IR Office Chief provides documentation to show that the DeCA Administration Division Chief approved and implemented DeCA Manual 90-05.1.

Deficiency 2. The DeCA IR Office Could Not Demonstrate That It Distributed the Report to Audited Entity Officials for One of Two Performance Audits

For one of the two performance audits we reviewed, Report No. CCA-2021-0003, the DeCA IR Office could not demonstrate that it distributed the audit report to audited entity officials responsible for acting on the findings and recommendations.⁸ GAS 9.58 states that an audit organization in a government entity should distribute audit reports to: (1) those charged with governance, (2) the appropriate audited entity officials, and (3) the appropriate oversight bodies or organizations requiring or arranging for the audits.

For Report No. CCA-2021-0003, the audited entity officials included the Director of Store Operations and other DeCA store support officials. The report included five findings and five recommendations for improvement. On December 4, 2023, the DeCA Director approved the report for issuance and distribution. On July 30, 2024, during our review, we asked the DeCA IR Chief for evidence that the report was distributed. However, the DeCA IR Chief could not find any evidence of the distribution. On August 2, 2024, 8 months after the DeCA Director approved the report, the DeCA IR Chief distributed the report to the audited entity officials, as required by GAS 9.58.

Auditors should ensure that they distribute audit reports to audited entity officials in a timely manner. This practice helps to ensure that audited entity officials are aware of audit report findings and conclusions and act on recommendations in a timely manner.

We considered the significance of this deficiency by assessing the nature, pervasiveness, and relative importance of this issue against the DeCA IR Office's system of quality control and the extent of compliance with GAS as a whole. We concluded that it qualifies as a deficiency because it could create a situation in which the DeCA IR Office would not have reasonable assurance of complying with applicable professional standards in one or more important respects. However, the issue does not rise to the level of a significant deficiency as defined in the CIGIE Guide.

⁸ DeCA Report No. CCA-2021-0003, "Audit of Shelf Management Optimization," October 12, 2023.

Recommendations, Management Comments, and Our Response

Recommendation 3

We recommend that the Defense Commissary Agency Internal Review Chief develop a tool, such as a post-audit checklist, to ensure that the Internal Review Office distributes audit reports to appropriate audited entity officials in a timely manner in accordance with Government Auditing Standard 9.58 and maintains evidence of the distribution in the audit file.

Defense Commissary Agency Deputy Director Comments


The DeCA Deputy Director, responding for the DeCA IR Office Chief, partially agreed and stated that the DeCA IR Office has adequate tools in place for report distribution, and documentation was provided to demonstrate the adequacy of report distribution. The Deputy Director also stated that DeCA's command administrative staff initiated new procedures that include a distribution record that all applicable parties must complete. The report distribution record will reflect all signatures in support of approval and distribution.

Our Response

Comments from the Deputy Director partially addressed the specifics of the recommendation; therefore, the recommendation is unresolved. We acknowledge in this report that the DeCA IR Chief distributed the report to the audited entity officials, as required by GAS 9.58. However, the documentation that the DeCA IR Chief provided showed that the audit report was distributed 8 months after the DeCA Director approved the report. Additionally, the Deputy Director's comments did not address how the IR Office will maintain evidence of the audit report distribution in the audit file.

Therefore, we request that the DeCA IR Chief provide additional comments within 30 days of this report describing how they will ensure that the DeCA IR Office maintains evidence of the audit report distribution in the audit file.

If you have any questions or would like to meet to discuss the review, 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

Appendix A

Scope and Methodology

We conducted this peer review from March 2024 through December 2024 in accordance with GAS and the CIGIE Guide. The standards and guide require that we obtain an understanding of the audit organization's system of quality control and conclude whether the audit organization:

- appropriately designed the system to ensure compliance with GAS and
- complied with GAS and internal policies and procedures.

We also conducted this peer review in accordance with the CIGIE "Quality Standards for Inspection and Evaluation," published in December 2020. These standards require that we adequately plan the peer review to ensure that we meet the objectives and perform the peer review to obtain sufficient and relevant evidence to support the findings, conclusions, and recommendations. We believe the evidence that we obtained was sufficient and relevant to lead a reasonable person to sustain the findings, conclusions, and recommendations.

This peer review covered the 3-year review period from February 1, 2021, through January 31, 2024. We tested DeCA IR projects for compliance with its system of quality control to the extent we considered appropriate. We selected a reasonable cross-section of work that the DeCA IR Office performed during the 3-year review period. As detailed in the following sections, we used the appendixes and procedures in the CIGIE Guide to conduct the peer review.

Policies and Procedures (CIGIE Guide Appendix A)

Using CIGIE Guide Appendix A, we obtained general information about the DeCA IR Office's system of quality control to determine the adequacy of the established policies and procedures and compliance with GAS. Appendix A includes 96 questions applicable to the DeCA IR Office that are designed to assist with determining the adequacy of the audit policies and procedures of an audit organization. We requested that the DeCA IR Office complete Column 1 of CIGIE Guide Appendix A and provide a copy of its relevant policies and procedures. Using Column 2 of CIGIE Guide Appendix A, we recorded our conclusion on the policies and procedures of the DeCA IR Office's compliance with GAS. We concluded that the DeCA IR Office policies and procedures are inadequate in four areas of GAS based on our conclusions associated with 45 of 96 CIGIE questions. See Deficiency 1 of this report for additional details. Also, Table 2 in Appendix B of this report provides a list of the 45 CIGIE Appendix A questions for which we determined the DeCA IR Office policies were either inadequate or inadequate in part.

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

Using CIGIE Guide Appendix B, we performed tests to determine the extent to which DeCA IR Office auditors complied with GAS general standards. The general standards consist of independence, competence and continuing professional education (CPE), and quality control and peer review.

Independence

We reviewed DeCA IR Office independence records for all seven auditors assigned to the two performance audits we reviewed. We concluded that the DeCA IR Office complied with the GAS independence requirements.

Competence and Continuing Professional Education

We interviewed all five audit staff members assigned to the DeCA IR Office as of June 12, 2024. We interviewed the audit staff members to determine their understanding of and compliance with GAS and DeCA IR Office quality control policies and procedures. Based on the interviews, we concluded that the audit staff members were competent and had an adequate understanding of GAS and DeCA IR Office policies and procedures.

We reviewed CPE documentation for all eight auditors assigned to the DeCA IR Office during the most recently completed 2-year reporting period to determine whether the auditors earned the minimum number of CPE hours required by GAS. The last completed 2-year CPE reporting period covered FY 2022 and FY 2023. We determined that the auditors earned the minimum number of CPE hours.

Quality Control and Peer Review

We reviewed the one DeCA IR Office internal quality assurance review that the DeCA IR Office completed from February 1, 2021, through January 31, 2024, to determine whether the agency:

- performed monitoring procedures of its projects that enabled it to assess compliance with professional standards and quality control policies and procedures,
- analyzed and summarized the results of its monitoring procedures, and
- identified any systemic or repetitive problems that needed improvement and made recommendations for corrective action.

We determined that the DeCA IR Office complied with GAS for the monitoring of quality procedures. Additionally, we determined that the DeCA IR Office complied with GAS for peer reviews by obtaining a peer review once every 3 years. See the Prior Coverage section of this report appendix for additional information on previously completed DeCA IR Office peer reviews.

Checklist for Performance Audits (CIGIE Guide Appendix E)

From February 1, 2021, through January 31, 2024, the DeCA IR Office completed three performance audits. We nonstatistically selected two of the three audits for our review. The two audits reflect a reasonable cross-section of DeCA IR Office projects and DeCA IR auditors. We reviewed the two audits for compliance with GAS using CIGIE Guide Appendix E. We determined that for one of the two performance audits, the DeCA IR Office could not demonstrate that it distributed the audit report to officials of the audited entity, as required by GAS 9.58. See Deficiency 2 in this report for additional details. Table 1 lists the two performance audits we selected for review.

Table 1. DeCA IR Office Performance Audits We Selected for Review

Audit Title	Report Number	Report Date
Review of DD 707 Reconciliation Process	CCA-2021-0002	March 27, 2023
Review of Shelf Management Optimizations	CCA-2021-0003	October 12, 2023

Source: The DoD OIG.

Terminated Audits (CIGIE Risk Assessment Procedures)

From February 1, 2021, through January 31, 2024, the DeCA IR Office terminated three audits, and we selected one of the three audits for our review. We reviewed the audit documentation for the terminated audit to assess whether the auditors documented the results of the work to date of termination and why the audit was terminated, as required by GAS. We concluded that the DeCA IR Office complied with GAS when it 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 Office of Inspector General (DoD OIG) issued one report discussing external peer review of the DeCA IR Office. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

DoD OIG

Report No. DODIG-2022-101, “External Peer Review of the Defense Commissary Agency Internal Review Office,” June 2, 2022

The DoD OIG evaluated whether the DeCA IR Office system of quality control in effect for the 3-year period that ended on January 31, 2021, was suitably designed and complied with to provide the DeCA IR Office with reasonable assurance of performing

and reporting in conformity with GAS and applicable legal and regulatory requirements in all material respects. The DeCA IR Office received a peer review rating of *pass with deficiencies*. The DoD OIG identified deficiencies involving monitoring of quality, CPE, and nonaudit services.

The DoD OIG also issued a June 2, 2022, Letter of Comment identifying findings involving independence, quality control, and reporting. The DoD OIG did not consider the findings to be significant enough to affect the opinion expressed in its June 2, 2022, report on the DeCA IR Office.

Appendix B

DeCA IR Office Policies and Procedures That Are Inadequate or Inadequate in Part

Table 2 lists the 45 CIGIE Guide Appendix A questions that we answered as inadequate or inadequate in part for DeCA Manual 90-05.01, “Internal Review Manual.” We organized the table into four areas consisting of independence, quality control and peer review, fieldwork standards for performance audits, and reporting standards for performance audits.

Table 2. CIGIE Guide Appendix A Questions We Marked Inadequate or Inadequate in Part

Question Count	CIGIE Guide Appendix A Question Number	CIGIE Guide Appendix A Question	Inadequate or Inadequate in Part
Independence —Do policies and procedures for independence for all engagements require auditors and audit organizations to:			
1	1.2	avoid situations that could lead reasonable and informed third parties to conclude that the auditors and audit organizations are not independent and therefore not capable of exercising objective and impartial judgment on all issues associated with conducting the engagement and reporting on the work? (GAS 3.19)	Inadequate
2	1.3	apply the independence conceptual framework at the different levels to identify threats and evaluate their impact, as well as document and apply safeguards to eliminate the threats or reduce them to an acceptable level? (GAS 3.27, 3.30–3.33, 3.107.a, 3.107.b)	Inadequate
3	1.5	periodically re-evaluate threats to determine whether new information or changes could affect independence? (GAS 3.28)	Inadequate
4	1.6e	apply and document the independence conceptual framework and other procedures related to nonaudit services provided to the audited entity? Do any previously performed nonaudit services exist that could affect the prospective engagement? (GAS 3.83)	Inadequate
5	1.6f	apply and document the independence conceptual framework and other procedures related to nonaudit services provided to the audited entity? Did the auditors disclose the nature of the threat to independence that could not be eliminated or reduced to an acceptable level and modify the GAS compliance statement? (GAS 3.84)	Inadequate

Table 2. CIGIE Guide Appendix A Questions We Marked Inadequate or Inadequate in Part (cont'd)

Question Count	CIGIE Guide Appendix A Question Number	CIGIE Guide Appendix A Question	Inadequate or Inadequate in Part
Quality Control and Peer Review —Do policies and procedures for quality control and peer review:			
6	3.1e	collectively address a system of quality control and communicate policies and procedures to staff, including human resources and CPE requirements? (GAS 5.15–5.16)	Inadequate in Part
7	3.2	require: (a) maintaining documentation on compliance with audit quality control policies and procedures be maintained, (b) monitoring activities on the system of quality control in the audit organization, and (c) evaluating and implementing corrective actions on monitoring identified deficiencies? (GAS 5.04, 5.42–5.45)	Inadequate in Part
Fieldwork Standards for Performance Audits —Do policies and procedures for fieldwork standards for performance audits require auditors to:			
8	4.2	consult and document difficult or contentious issues that arose among team members during the engagement and the parties' understanding of the resulting conclusions reached and implemented? (GAS 5.24) ⁹	Inadequate
9	4.3	document supervisory review, before the report release date, of the evidence that supports the findings and conclusions contained in the engagement report? (GAS 6.31, 7.33, 8.135c)	Inadequate
10	5.2	inquire of management and obtain and evaluate information on previous engagements and other studies that relate directly to the engagement objectives, including management's corrective action to address findings and recommendations to assess risk and determine the nature, timing, and extent of the current engagement and whether to test the implementation of the corrective actions from previous engagements? (GAS 6.11, 7.13, 8.30)	Inadequate
11	5.3	inquire of the auditee management during planning whether any investigations or legal proceedings were initiated or are in process with respect to the period of the engagement that could be significant to the objectives and evaluate their impact on the engagement? (GAS 6.12, 7.14, 8.27)	Inadequate
12	5.5	consider internal control deficiencies when developing the cause element of identified findings? (GAS 6.18, 7.20, 8.117)	Inadequate

⁹ GAS 5.24 also applies to reporting standards for performance audits.

Table 2. CIGIE Guide Appendix A Questions We Marked Inadequate or Inadequate in Part (cont'd)

Question Count	CIGIE Guide Appendix A Question Number	CIGIE Guide Appendix A Question	Inadequate or Inadequate in Part
13	9.1c	adequately plan the work necessary to address the audit objectives and reduce audit risk to an acceptable level and include identifying and using suitable criteria? (GAS 8.07)	Inadequate
14	9.3	obtain an understanding of the nature of the program or program component under audit, its relevance to users, and information to help the auditors assess relevant risks, such as program visibility, sensitivity, age, size, oversight, strategic plan, objectives, and external factors? (GAS 8.36)	Inadequate
15	9.4e	determine and document whether internal controls and information system controls are significant within the audit objectives? If significant, do the policies and procedures require the auditors to identify any provisions of laws, regulations, contracts, and grant agreements that are significant in the context of the audit objectives; assess the risk that noncompliance with provisions of laws, regulations, contracts, and grant agreements could occur; and design and perform procedure steps accordingly? (GAS 8.68)	Inadequate
16	9.6	identify potential sources of information that could be used as evidence and determine the amount and type of evidence needed to obtain sufficient, appropriate evidence to address the audit objectives and adequately plan audit work? (GAS 8.77)	Inadequate
17	9.7	evaluate whether any lack of sufficient, appropriate evidence is caused by internal control deficiencies or other program weaknesses and whether the lack of sufficient, appropriate evidence could be the basis for audit findings? (GAS 8.78)	Inadequate
18	9.8a	determine whether other auditors conducted or are conducting audits that could be relevant to the current audit objectives and, when the work is used, perform procedures that provide a sufficient basis for using the other auditors' work? (GAS 8.80, 8.81)	Inadequate
19	9.8b	determine whether other auditors conducted or are conducting audits that could be relevant to the current audit objectives and, when the work is used, obtain evidence concerning the other auditors' qualifications and independence?	Inadequate
20	9.8c	determine whether other auditors conducted or are conducting audits that could be relevant to the current audit objectives and, when the work is used, determine whether the scope, quality, and timing of the other auditors' work can be relied on in the context of the current audit objectives?	Inadequate

Table 2. CIGIE Guide Appendix A Questions We Marked Inadequate or Inadequate in Part (cont'd)

Question Count	CIGIE Guide Appendix A Question Number	CIGIE Guide Appendix A Question	Inadequate or Inadequate in Part
21	9.10a	obtain sufficient, appropriate evidence to provide a reasonable basis for addressing the audit objectives and supporting their findings and conclusions, including assessing whether evidence is relevant, valid, and reliable? (GAS 8.91)	Inadequate
22	9.10b	obtain sufficient, appropriate evidence to provide a reasonable basis for addressing the audit objectives and supporting their findings and conclusions, including determining whether sufficient appropriate evidence exists to address the audit objectives and support the findings and conclusions that would persuade a knowledgeable person that the findings are reasonable? (GAS 8.92)	Inadequate
23	9.10c	obtain sufficient, appropriate evidence to provide a reasonable basis for addressing the audit objectives and supporting their findings and conclusions, including determining the steps the officials of the audited entity or other auditors used to obtain assurance over the reliability of the information when using information provided by officials of the audited entity as part of evidence? (GAS 8.93)	Inadequate
24	9.10d	obtain sufficient, appropriate evidence to provide a reasonable basis for addressing the audit objectives and supporting their findings and conclusions, including evaluating the objectivity, credibility, and reliability of testimonial evidence? (GAS 8.94)	Inadequate
25	9.11	perform and document an overall assessment of the collective evidence used to support findings and conclusions? (GAS 8.108)	Inadequate
26	9.12	evaluate the expected significance of evidence to the audit objectives, findings, and conclusions; available corroborating evidence; and the level of audit risk? (GAS 8.109)	Inadequate
27	9.13	perform additional procedures, as appropriate, when identifying limitations or uncertainties in evidence that are significant to the audit findings and conclusions? (GAS 8.110)	Inadequate
Reporting Standards for Performance Audits —Do policies and procedures for reporting standards for performance audits require auditors to:			
28	4.8	put findings in perspective by describing the nature and extent of the issues being reported and the extent of work performed that resulted in the findings, any relationship of the instances identified to the population, and any statistical projections and other applicable information? (GAS 6.51, 7.49, 9.21)	Inadequate

Table 2. CIGIE Guide Appendix A Questions We Marked Inadequate or Inadequate in Part (cont'd)

Question Count	CIGIE Guide Appendix A Question Number	CIGIE Guide Appendix A Question	Inadequate or Inadequate in Part
29	4.9a	include a reference in the primary report to those additional reports if reporting separately on internal controls and on compliance with provisions of laws, regulations, contracts, grant agreements, or other areas? (GAS 6.43, 7.40, 9.31)	Inadequate
30	4.9b	state in the primary report that the subject matter of the separate report is an integral part of a GAS engagement if reporting separately on internal controls and on compliance with provisions of laws, regulations, contracts, grant agreements, or other areas? (GAS 6.43, 7.40, 9.31)	Inadequate
31	4.9c	make the additional reports available to users in the same manner as the primary engagement report to which it relates if separate reports are used if reporting separately on internal controls and on compliance with provisions of laws, regulations, contracts, grant agreements, or other areas? (GAS 6.43, 7.40, 9.31)	Inadequate
32	4.11	when receiving oral comments only, provide a copy of the summary to the responsible officials to verify that the comments are accurately represented and include the summary in the report? (GAS 6.58, 7.56, 9.51)	Inadequate
33	4.12	evaluate the validity of the audited entity's comments when the comments are inconsistent or conflict with the findings, conclusions, or recommendations in the report and explain any disagreement with the audited entity's comments? (GAS 6.59, 7.57, 9.52)	Inadequate
34	4.13	obtain additional support and sufficient, appropriate evidence to modify findings and recommendations if management comment differs from findings presented for comments? (GAS 6.59, 7.57, 9.52)	Inadequate
35	4.14	issue the report without receiving comments from the audited entity if the audited entity refuses to provide comments or is unable to provide comments in a reasonable period of time and state in the report that the audited entity did not provide comments? (GAS 6.60, 7.58, 9.53)	Inadequate
36	4.15	omit confidential and sensitive information from the report, disclose in the report that certain information has been omitted and the circumstances that make the omission necessary, revise the report if the omission could distort or conceal results, and determine the appropriate means to communicate the report if the audit organization is subject to public records law? (GAS 6.63–6.65, 7.61–7.63, 7.85, 7.93, 9.61–9.63)	Inadequate

Table 2. CIGIE Guide Appendix A Questions We Marked Inadequate or Inadequate in Part (cont'd)

Question Count	CIGIE Guide Appendix A Question Number	CIGIE Guide Appendix A Question	Inadequate or Inadequate in Part
37	4.16	distribute the report to applicable parties and the public and document any limitations to the report distribution? (GAS 6.70, 7.69, 7.77, 7.85, 7.93, 9.56–9.58)	Inadequate
38	5.6	obtain sufficient, appropriate evidence, such as confirmation from outside parties, to corroborate representations by management of the entity that it reported findings in accordance with provisions of laws, regulations, and funding agreements? (GAS 6.55, 7.53, 9.47)	Inadequate
39	5.7	include in the report or separate report the relevant information about identified or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements and instances of fraud that are material to or have a material effect on the financial statements, other significant financial data, the subject matter, or an assertion about the subject matter that is significant in the context of the engagement objectives? (GAS 6.39, 6.41, 7.44, 9.35, 9.40)	Inadequate
40	5.8	communicate findings in writing to audited entity officials when auditors identify or suspect noncompliance with provisions of laws, regulations, contracts, or grant agreements or instances of fraud that are less than material; have an effect on the subject matter or an assertion about the subject matter that are less than material; or are not significant in the context of the engagement objectives but warrant the attention of those charged with governance? (GAS 6.44, 7.45, 9.36, 9.41)	Inadequate
41	5.9c	report findings directly to parties outside the audited entity, even when they have resigned or been dismissed from the engagement before to its completion, when auditors identify known or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements and instances of fraud and when audited entity management fails to have documentation or evidence to corroborate representations it has reported findings in accordance with provisions of laws, regulations, or funding agreements? (GAS 6.55, 7.53, 9.47)	Inadequate
42	5.10	report findings directly to the funding agency when the auditee management does not take timely and appropriate steps as soon as practicable after the auditors' communication with those charged with governance? (GAS 6.53.b, 7.51.b, 9.45.b)	Inadequate

Table 2. CIGIE Guide Appendix A Questions We Marked Inadequate or Inadequate in Part (cont'd)

Question Count	CIGIE Guide Appendix A Question Number	CIGIE Guide Appendix A Question	Inadequate or Inadequate in Part
43	9.16e	issue audit reports communicating the results of each completed audit in a form that is appropriate for its intended use and contain descriptions of limitations or uncertainties with the reliability or validity of evidence if significant and any other significant facts relevant to the objectives to avoid misleading users about the findings and conclusions? (GAS 9.20)	Inadequate
44	9.16g	issue audit reports communicating the results of each completed audit in a form that is appropriate for its intended use and contain the scope of work on internal control or internal control components significant in the context of the audit objectives and descriptions of any deficiencies in internal control that are significant in the context of the audit objectives? (GAS 9.29–9.30)	Inadequate
45	9.16h	issue audit reports communicating the results of each completed audit in a form that is appropriate for its intended use and contain a description of deficiencies in internal control that are not significant to the objectives of the audit but warrant the attention of those charged with governance, or a reference to a separate report that communicate deficiencies in writing to audited entity officials? (GAS 9.31)	Inadequate

Source: The DoD OIG, based on language from CIGIE Guide Appendix A.

Management Comments

Defense Commissary Agency Internal Review Office



DEFENSE COMMISSARY AGENCY
HEADQUARTERS
1300 EISENHOWER AVENUE
FORT GREGG-ADAMS, VIRGINIA 23801-1800

February 4, 2025

MEMORANDUM FOR OFFICE OF THE INSPECTOR GENERAL
(ATTN: AUDIT OVERSIGHT DIRECTOR, EVALUATIONS,
SPACE, INTELLIGENCE, ENGINEERING AND OVERSIGHT)

SUBJECT: Defense Commissary Agency Response to External Peer Review of Internal Review
Office dated December 17, 2024 (Project No. D2024-DEV0SO-0102.000)

This memorandum provides the Defense Commissary Agency (DeCA) response to the subject report. DeCA has reviewed the report and provides the following responses and discussion as appropriate.

Deficiency 1. DeCA IR Office Policies and Procedures Do Not Adequately Address Four Areas of Government Auditing Standards and Do Not Incorporate Previous Recommendations.

DeCA Comments on Deficiency 1. Non-concur as stated. DeCA policies and procedures in response to the noted previous recommendations were put into place with immediate policy changes via memorandums and instructions. This information was also provided to DoD IG with receipt acknowledged. All policy changes were incorporated into DeCA Manual (DeCAM) 90-05.1, Audit Manual, our agency-standard guidance. A DeCA memorandum dated May 10, 2023, provided our policy changes to the DoD IG with a DoD IG reply of April 19, 2024, noting the changes were adequate and the publications process was initiated for DeCAM 90-05.1. If needed, a detailed timeline of the corresponding communication is available.

We received DoD IG's most recent results on September 10, 2024, and took immediate corrective action to incorporate the recommended changes into DeCAM 90-05.01 and reported this to DoD IG on September 16, 2024. These changes pertained to the inclusion of human resources, records management, and information systems controls matters. Review and authorization by the corresponding subject matter experts are in progress in support of final publication no later than March 31, 2025.

DoD IG Recommendation 1. Defense Commissary Agency Internal Review Chief develop policies and procedures to describe how the Defense Commissary Agency Internal Review Office addresses Government Auditing Standards in the following areas.

- a. Independence
- b. Quality control and peer review
- c. Fieldwork for performance audits
- d. Reporting for performance audits

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Defense Commissary Agency Internal Review Office (cont'd)

DeCA Comments on Recommendation 1. Partially Concur. Policies and procedures to describe the noted areas exist, and will be updated/republished no later than March 31, 2025.

DoD IG Recommendation 2. Defense Commissary Agency Director direct the Administration Division Chief to approve and implement Defense Commissary Agency Manual 90-05.01, "Internal Review Manual," in a timely manner after the Internal Review Chief develops policies and procedures in response to Recommendation 1.

DeCA Comments on Recommendation 2: Concur. Review and authorization by the corresponding subject matter experts are in progress in support of final publication of the updated DeCAM 90-05.1 no later than March 31, 2025.

DoD IG Deficiency 2. The DeCA IR Office Could Not Demonstrate That It Distributed the Report to Audited Entity Officials for One of Two Performance Audits. For one of the two performance audits we reviewed, Report No. CCA-2021-0003, "Audit of Shelf Management Optimization," the DeCA IR Office could not demonstrate that it distributed the audit report to audited entity officials responsible for acting on the findings and recommendations.

DeCA Comments on Deficiency 2. At the time of distribution of Report No. CCA-2021-0003, the DeCA Store Operations Executive Director, the audited entity, was collaterally assigned as the DeCA Deputy Director (acting) with the capability and authority to act on the findings and recommendations of this report. The Deputy Director position has been filled (October 2024) and collateral assignments are no longer in place.

DoD IG Recommendation 3. Defense Commissary Agency Internal Review Chief develop a tool, such as a post-audit checklist, to ensure that the Internal Review Office distributes audit reports to appropriate audited entity officials in a timely manner.

DeCA Comments on Recommendation 3. Partially Concur. Adequate tools are in place and documentation has been provided demonstrating the adequacy of report distribution. DeCA's command administrative staff have initiated new procedures which include a distribution record that must be completed and reflect all applicable parties and signatures in support of approval and distribution. DeCA comments on Recommendation 1 apply.

DeCA prioritizes responsiveness to audits and the corresponding improvements and will continue our efforts to address DoD IG's audit findings and recommendations in a manner that will ensure mutual resolution is reached and closure is obtained on these matters.

Karen M.
Davis

Karen M. Davis
Deputy Director

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