



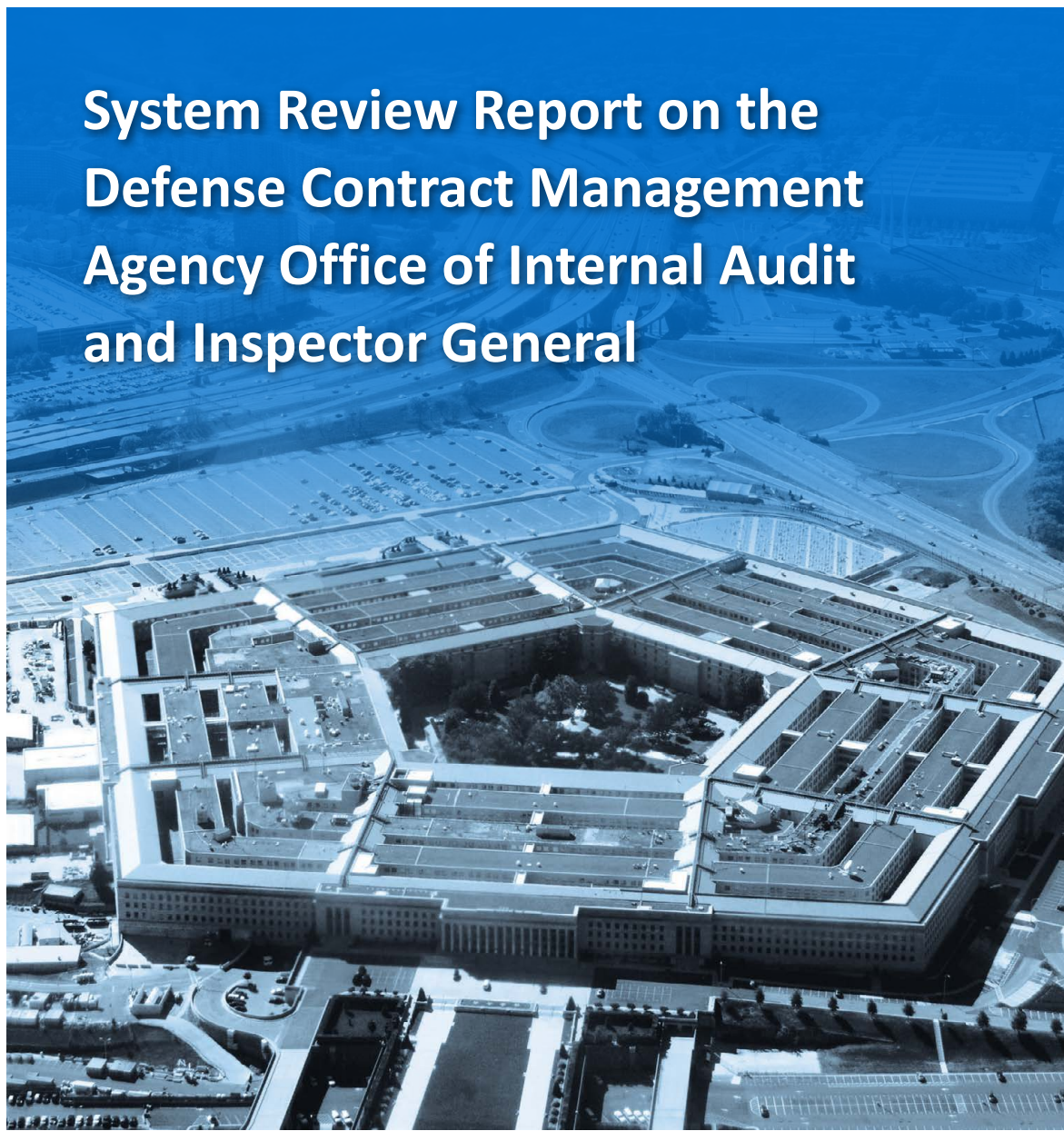
# INSPECTOR GENERAL

*U.S. Department of Defense*

OCTOBER 22, 2018



## System Review Report on the Defense Contract Management Agency Office of Internal Audit and Inspector General



INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE







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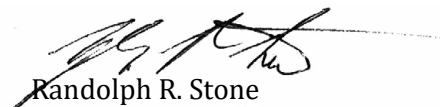
October 22, 2018

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY

SUBJECT: System Review Report on the Defense Contract Management Agency Office  
of Internal Audit and Inspector General (Report No. DODIG-2019-003)

Attached is the System Review Report of the Defense Contract Management Agency Office of Internal Audit and Inspector General. We conducted the review in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. The enclosure of the report identifies the scope and methodology.

We appreciate the cooperation and courtesies extended to our staff during the peer review. If you have any questions, please contact Ms. Carolyn R. Hantz at 703-604-8877 or at [Carolyn.Hantz@dodig.mil](mailto:Carolyn.Hantz@dodig.mil).

  
Randolph R. Stone  
Deputy Inspector General  
Policy and Oversight

Enclosure:  
As stated





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DEPARTMENT OF DEFENSE  
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October 22, 2018

**MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY**

**SUBJECT: System Review Report on the Defense Contract Management Agency Office  
of Internal Audit and Inspector General (Report No. DODIG-2019-003)**

We reviewed the system of quality control for the Defense Contract Management Agency, Office of Internal Audit and Inspector General (DCMA OIA-IG) audit office in effect for the period ending May 31, 2018. A system of quality control encompasses the DCMA OIA-IG organizational structure and policies adopted and procedures established to provide it with reasonable assurance of conforming to *Government Auditing Standards* (GAS). The elements of quality control are described in GAS.

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

We conducted our review in accordance with GAS and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed DCMA OIA-IG audit personnel and obtained an understanding of the nature of the DCMA OIA-IG organization and the design of its system of quality control sufficient to assess the risks implicit in its organization. We selected audits, nonaudit services, and administrative files to test for conformity with professional standards and compliance with DCMA OIA-IG system of quality control. Before concluding the peer review, we discussed the results of the peer review with DCMA OIA-IG management. We believe that the procedures we performed provide a reasonable basis for our opinion.

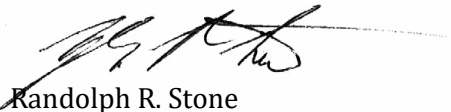
In performing our review, we obtained an understanding of the system of quality control for the DCMA OIA-IG audit organization. In addition, we tested compliance with the DCMA OIA-IG organization's quality control policies and procedures to the extent that we considered appropriate. These tests covered the application of the DCMA OIA-IG organization's policies

and procedures on the audits we selected to review. The enclosure of the report describes the scope and methodology to include the audit reports selected to review. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

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. 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 and procedures may deteriorate.

In our opinion, the system of quality control for DCMA OIA-IG in effect for the period ending May 31, 2018, has been suitably designed and complied with to provide DCMA OIA-IG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material aspects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. DCMA OIA-IG has received a rating of *pass*.

We appreciate the cooperation and assistance received during the peer review. For additional information on this report, please contact Carolyn R. Hantz at (703) 604-8877 or at [Carolyn.Hantz@dodig.mil](mailto:Carolyn.Hantz@dodig.mil).



Randolph R. Stone  
Deputy Inspector General  
Policy and Oversight

Enclosure:  
As stated

# Enclosure

## Scope and Methodology

We conducted this peer review from June through September 2018. We tested compliance with the system of quality control to the extent we considered appropriate. These tests included a review of two completed audits, one terminated project, and four nonaudit services that were conducted during our review period of May 31, 2015, through May 31, 2018.

We also tested compliance with *Government Auditing Standards* (GAS) continuing professional education hours requirements. In addition, we interviewed audit personnel to determine their understanding and compliance with quality control policies and procedures that were published in May 2015 and April 2017. We visited the Defense Contract Management Agency Office of Internal Audit and Inspector General (DCMA OIA-IG) audit office at Fort Lee, Virginia.

The DCMA OIA-IG audit office issued nine audit reports within the scope of our review. We selected two reports and reviewed their project files to assess compliance with the DCMA OIA-IG audit organization's system of quality control for audits. Table 1 lists the reports reviewed.

*Table 1. Selected DCMA OIA-IG Reports Reviewed*

Project Number and Title	Project Announcement Date	Issuance Date
DCMA-DMI-2017-002, "Audit of Controls Over Tracking Cost Accounting Standards Disclosure Statements"	February 10, 2017	December 13, 2017
DCMA-DMI-2017-003, "Limited Review Audit of Long-Term Temporary Duty Travel"	March 23, 2017	November 1, 2017

DCMA OIA-IG terminated one audit project, DCMA-DMI-2018-001, "Audit of Defense Agencies Initiative Financial and Information Technology Controls" during the review period. We reviewed the audit documentation for this project to determine whether the DCMA OIA-IG audit staff documented the results of the work to the date of the termination and why the audit was terminated. The project was terminated to prevent a duplication of audit efforts for a financial statement audit that the DoD OIG announced on December 1, 2017. In addition, we reviewed the method used to communicate the reason for terminating the audit to those charged with governance and appropriate officials of the audited entity. We determined that the audit was terminated in accordance with the DCMA OIA-IG policies and procedures.

In addition, we tested GAS and DCMA OIA-IG policy compliance for nonaudit services performed during the period of May 31, 2015 through May 31, 2018. We reviewed 4 nonaudit services performed at DCMA OIA-IG. We determined that DCMA OIA-IG auditors complied with GAS and documented their evaluation of threats to independence before performing the nonaudit services. In addition, we determined that DCMA OIA-IG auditors documented their consideration of management's ability to effectively oversee the nonaudit service that was provided. Table 2 lists the nonaudit services reviewed.

*Table 2. Reviewed DCMA OIA-IG Nonaudit Services*

Project Number / Title	Report Date
DCMA-DMI-20151617, Commanders Checklist	No Report Issued
DCMA-DMI-2016-001, Personnel Accountability Inspection	January 21, 2016
DCMA-DMI-2016-005, Investigation Assistance	June 10, 2016
DCMA-DMI-2018-002, Personnel Accountability Inspection	January 30, 2018



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

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