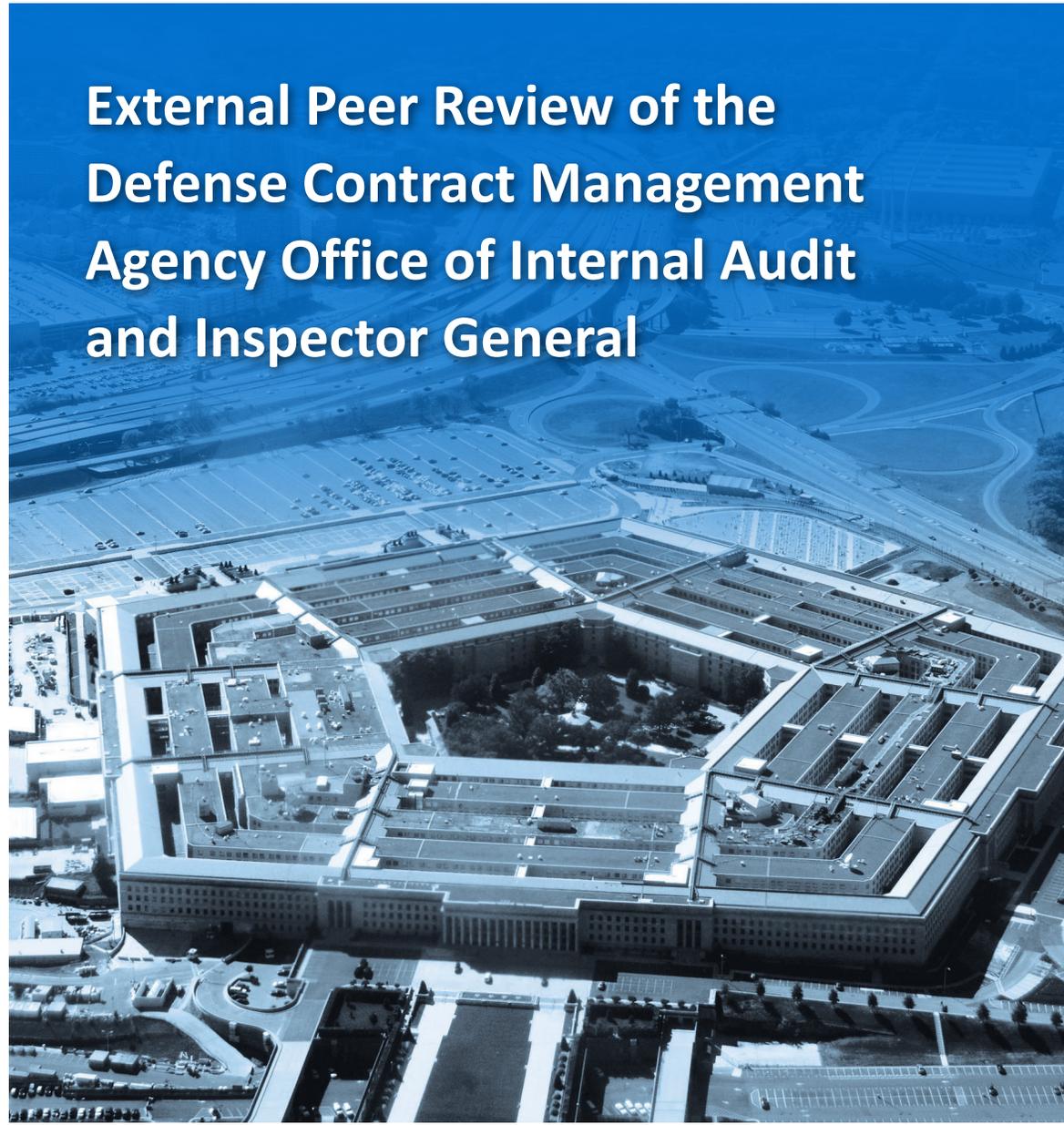




INSPECTOR GENERAL

U.S. Department of Defense

DECEMBER 20, 2021



External Peer Review of the Defense Contract Management Agency Office of Internal Audit and Inspector General

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





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

December 20, 2021

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY

SUBJECT: External Peer Review of the Defense Contract Management Agency
Office of Internal Audit and Inspector General (Report No. DODIG-2022-046)

This final report provides the results of the DoD Office of Inspector General's external peer review. We provided a discussion draft of this report to Defense Contract Management Agency officials, who did not have any comments.

We conducted this external peer review from June 2021 through December 2021 in accordance with the Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency "Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General." The Enclosure of the report identifies the scope and methodology for the review.

We appreciate the cooperation and courtesies extended to our staff during the external peer review. If you have any questions, please contact [REDACTED]

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

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

Enclosure:
As stated





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

December 20, 2021

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY

SUBJECT: System Review Report on External Peer Review of the Defense Contract Management Agency Office of Internal Audit and Inspector General
(Report No. DODIG-2022-046)

We reviewed the system of quality control for the Defense Contract Management Agency Office of Internal Audit and Inspector General (DCMA OIA-IG) in effect for the 3-year period ended May 31, 2021. A system of quality control encompasses the DCMA OIA-IG organizational structure, policies adopted, and procedures established to provide the system with reasonable assurance of conforming in all material respects with the Government Auditing Standards and applicable legal and regulatory requirements. The elements of quality control are described in the Government Auditing Standards.

In our opinion, the system of quality control for the DCMA OIA-IG in effect for the 3-year period ended May 31, 2021, has been suitably designed and complied with to provide the DCMA OIA-IG with reasonable assurance of performing and reporting in conformity with applicable professional 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 DCMA OIA-IG has received an external peer review rating of *pass*.

Basis of Opinion

We conducted our review in accordance with the Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) "Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General," March 2020.

During our review, we interviewed DCMA OIA-IG audit personnel and obtained an understanding of the nature of the DCMA OIA-IG and the design of its system of quality control sufficient to assess the risks implicit in its audit function.

Based on our assessment, we selected three of the six performance audits that the DCMA OIA-IG completed from June 1, 2018, through May 31, 2021. We tested the three performance audits for conformity with the Government Auditing Standards. The three performance audits we selected represent a reasonable cross-section of the universe of six audits that the DCMA OIA-IG performed during the 3-year period ended May 31, 2021.

In performing our review, we obtained an understanding of the system of quality control for the DCMA OIA-IG. In addition, we tested the system for compliance with DCMA OIA-IG quality control policies and procedures to the extent we considered appropriate. These tests covered the application of DCMA OIA-IG policies and procedures on the selected DCMA OIA-IG audits. We based our review on these tests; therefore, our review would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

DCMA OIA-IG management representatives advised us that an exit conference to discuss the results of our review was not needed. We believe that the procedures we performed provide a reasonable basis for our opinion. The Enclosure identifies our scope and methodology, including our basis for selecting the three audits we reviewed.

Responsibilities and Limitation

The DCMA OIA-IG is responsible for establishing and maintaining a system of quality control designed to provide the DCMA OIA-IG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and the DCMA OIA-IG's compliance with the system of quality control 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. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

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

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

Enclosure

Scope and Methodology

We conducted this review from June 2021 through December 2021 in accordance with the Government Auditing Standards and the CIGIE “Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General,” March 2020. These standards require that we obtain an understanding of the audit organization’s system of quality control and conclude whether:

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

This peer review covered the 3-year period from June 1, 2018, through May 31, 2021. We tested compliance with the DCMA OIA-IG system of quality control to the extent we considered appropriate. These tests included a review of nonstatistically selected performance audits and nonaudit services completed by the DCMA OIA-IG from June 1, 2018, through May 31, 2021. As detailed in the following sections, we used appendixes and procedures in the March 2020 CIGIE Guide to conduct this external peer review.

Policies and Procedures (CIGIE Guide Appendix A)

We reviewed DCMA OIA-IG audit policies and procedures to determine whether the policies and procedures complied with the Government Auditing Standards. We requested that the DCMA OIA-IG complete Column 1, Section 1, of the CIGIE Guide’s Appendix A, “Policies and Procedures,” and provide a copy of relevant policies and procedures. In Column 2, Section 2, of Appendix A, we recorded our comments and conclusions on the extent to which the relevant DCMA OIA-IG policies and procedures complied with the Government Auditing Standards. We concluded that the DCMA OIA-IG policies and procedures complied with the Government Auditing Standards.

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

Using Appendix B of the CIGIE Guide, we tested the DCMA OIA-IG for compliance with the general standards in the Government Auditing Standards, consisting of independence, competence, continuing professional education, and quality control and peer review.

Independence

We reviewed the independence of the DCMA OIA-IG audit staff by reviewing the independence statements for six of seven DCMA OIA-IG personnel serving as auditors and the audit supervisor who were employed as of June 7, 2021. The one remaining auditor was not employed by the DCMA when it conducted the three audits selected for review. Therefore, this auditor did not prepare a statement of independence for the three performance audits we selected for review. In addition, we reviewed the independence statements of two former DCMA OIA-IG auditors who were assigned to two of the three performance audits we selected for our review. Based on our review of the eight independence statements, we determined that the auditors and the supervisor complied with the independence requirements in the Government Auditing Standards and DCMA OIA-IG policy.

Competence

We reviewed the competence of the DCMA OIA-IG audit staff by selecting all seven DCMA OIA-IG personnel serving as auditors and the audit supervisor who were employed as of June 7, 2021. We interviewed the auditors and the audit supervisor to determine their understanding of, and compliance with, the DCMA OIA-IG quality control policies and procedures and the Government Auditing Standards. Of the auditors we interviewed, five were assigned to at least one of the three performance audits that we selected for our review. Based on the results of the interviews, we concluded that the DCMA OIA-IG auditors and the audit supervisor were competent and had an adequate understanding of DCMA OIA-IG policies and the Government Auditing Standards.

Continuing Professional Education

We reviewed the continuing professional education documentation for all 11 of the DCMA OIA-IG audit staff employed from 2018 through 2019, consisting of 10 auditors and the audit supervisor.¹ We reviewed the continuing professional education records of the 11 audit staff to determine whether the auditors and the audit supervisor obtained the required number of continuing professional education hours. Based on our review, we determined that the 11 DCMA OIA-IG staff complied with the Government Auditing Standards requirement for continuing professional education.

¹ Our review of continuing professional education covered 2018 through 2019 because this was the last completed 2-year reporting period for determining compliance with the continuing professional education requirements in the Government Auditing Standards.

Quality Control and Peer Review

We reviewed the three internal quality assurance reviews that the DCMA OIA-IG completed on each of the performance audits we selected for our review to determine whether the DCMA OIA-IG:

- 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 issues needing improvement with recommendations for corrective action.

Based on our review, we determined that the DCMA OIA-IG complied with the quality control and peer review general standards. Therefore, we concluded that the DCMA OIA-IG complied with all general standards in the Government Auditing Standards.

Checklist for DCMA OIA-IG Performance Audits (CIGIE Appendix E)

From June 1, 2018, through May 31, 2021, the DCMA OIA-IG completed six performance audits. We nonstatistically selected three of the six performance audits for our review. In selecting our nonstatistical sample, we chose projects that would provide a reasonable cross-section of projects completed by the DCMA OIA-IG during the 3-year review period. For example, we chose projects that resulted in the selection of various auditors. Using Appendix E of the CIGIE Guide, we reviewed the three DCMA OIA-IG performance audits and concluded that the audits complied with the Government Auditing Standards. The DCMA OIA-IG conducted the three performance audits while the July 2018 revision to the Government Auditing Standards was in effect. Table 1 lists the performance audits that we selected for our review.

Table 1. DCMA OIA-IG Performance Audits Selected for Review

Project Title	Report Number	Report Date
Audit of DCMA's Use of the Government Purchase Card for Training and Conferences	DCMA-DMI-2019-003	February 25, 2021
Audit of Facilities Program Processes, Procedures, and Budget Execution	DCMA-DMI-2020-001	October 1, 2020
Audit of DCMA's Sexual Assault Prevention and Response Program	DCMA-DMI-2020-004	March 29, 2021

Source: The DoD OIG.

Nonaudit Services Performed by the DCMA OIA-IG

We tested the two nonaudit services that DCMA OIA-IG auditors performed during the period from June 1, 2018, through May 31, 2021, for compliance with the Government Auditing Standards and DCMA OIA-IG policy. We determined that DCMA OIA-IG auditors complied

with the Government Auditing Standards and documented their evaluation of threats to independence before conducting the nonaudit services. In addition, we determined that the DCMA OIA-IG auditors documented their consideration of management’s ability to effectively oversee the nonaudit service that the auditors provided. Table 2 lists the two nonaudit services we reviewed.

Table 2. DCMA OIA-IG Nonaudit Services Selected for Review

Project Title	Report Number	Report Date
Non-Audit Service Inspection for Personnel Accountability in Conjunction with Natural or Manmade Disasters	DCMA-DMI-2020-002	January 15, 2020
Final Report for Non-Audit Service Intelligence Oversight Inspection 2020	DCMA-DMI-2020-003	September 9, 2020

Source: The DoD OIG.

Use of Computer-Processed Data

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

Prior Coverage

During the last 5 years, the DoD OIG issued one report discussing an external peer review of the DCMA OIA-IG. Unrestricted DoD OIG reports can be accessed at <https://www.dodig.mil/reports.html/>.

DoD OIG

Report No. DODIG-2019-003, “System Review Report on the Defense Contract Management Agency Office of Internal Audit and Inspector General,” October 22, 2018

The DoD OIG evaluated whether the DCMA OIA-IG system of quality control in effect for the 3-year period ended May 31, 2018, was adequate. The DoD OIG also evaluated whether the DCMA OIA-IG complied with its quality control system to provide it with reasonable assurance of conformity with applicable professional standards, and legal and regulatory requirements. The DCMA OIA-IG received an external peer review rating of *pass*.

Acronyms and Abbreviations

CIGIE Council of the Inspectors General on Integrity and Efficiency

DCMA Defense Contract Management Agency

OIA-IG Office of Internal Audit and Inspector General



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