



DeCA MANUAL 90-05.01

INTERNAL AUDIT MANUAL

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Purpose: This manual establishes policy and authorizes the Defense Commissary Agency (DeCA) Internal Review Office, in accordance with (IAW) Department of Defense (DoD) Instruction 7600.2, "Audit Policies," as a staff function reporting directly to the DeCA Director, to conduct audits and follow-up audits of DeCA activities at all levels.

- This manual is not intended to provide specific guidance for every situation or condition auditors may encounter in their daily operations. Auditors must consult appropriate levels of DeCA's Internal Review Office for guidance as necessary.
- All DeCA organizational elements are encouraged to submit suggested changes to this manual through channels, to Headquarters DeCA CCA when they identify control weaknesses. DeCA CCA may approve or issue instructions to implement or supplement procedures contained herein.

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SECTION 1: GENERAL

1.1. APPLICABILITY. This manual applies to all DeCA activities, DeCA personnel (IAW) DoD Directive (DoDD) 5105.55 and the Internal Review Office operations.

1.2. POLICY. It is DeCA's policy that this manual is issued under the authority of DeCA Directive (DeCAD) 90-5. Users of this manual will comply with all policies as defined in DeCAD 90-5 references listed within this manual.

SECTION 2: INTERNAL REVIEW OFFICE

2.1. Overview. The mission of the Internal Review Office is to provide an independent and objective internal audit service to DeCA through an appropriate mix of performance audits, attestation engagements, and financial audits.

2.2. Functions. The primary functions of the office are to:

a. Conduct internal audits of DeCA's programs, functions, transactions, and records. The purpose of the audits will be to determine if:

- (1) Management policies, practices, procedures, and controls are adequate.
- (2) Resources are used effectively and efficiently.
- (3) Fraud, waste, or abuse of government resources exists.
- (4) Resources are properly justified, used, accounted for, disposed of, and safeguarded.
- (5) Underlying conditions are identifiable.

b. Provide the DeCA Director and senior leadership a continuing status of audit performance of operations, programs, and controls.

c. Update the Audit Committee of the DeCA Board of Directors (DoD) on the internal audit program for DeCA.

d. Maintain liaison with Military Services audit offices, DoD Inspector General (DoDIG), the Government Accountability Office (GAO); and support Quality Control Reviews of DoD agencies.

e. Serve as the office of record and primary DeCA point of contact for audit reports and actions.

f. Coordinate entrance conferences, audit work, exit conferences, reports, and recommendations for all external audits.

2.3 Types of GAGAS Engagements. All generally accepted government auditing standards (GAGAS) engagements begin with objectives, and those objectives determine the type of engagement and applicable standards. The types of audit services that are covered by GAGAS, as defined by their objectives, are classified as performance audits, attestation engagements, and financial audits.

a. Performance Audits. Performance audits provide objective analysis, findings, and conclusions to assist management with, improving program performance and operations, reducing costs, facilitating decision making, initiating corrective actions, and contributing to public accountability.

(1) Follow-Up. Follow-up audits are designed to determine if management implemented recommendations from previous audits, and if those actions corrected the condition(s).

(2) Special Request. Senior leadership can make a special request for an audit, based on unforeseen needs when the Annual Audit Plan was prepared. The scheduling of a special request audit depends on the nature of the request and available resources.

b. Attestation Engagements. Attestation engagements can cover a broad range of financial or nonfinancial objectives. In an attestation engagement, the subject matter or an assertion by a party other than the auditor is measured or evaluated in accordance with suitable criteria. GAGAS incorporates by reference, the American Institute of Certified Public Accountants (AICPA) Professional Standards. There are three types of attestation engagements.

(1) Examination. An auditor obtains reasonable assurance by obtaining sufficient, appropriate evidence about the measurement or evaluation of the subject matter against criteria to be able to draw reasonable conclusions on which to base the auditor's opinion.

(2) Review. An auditor obtains limited assurance by obtaining sufficient, appropriate review evidence to express a conclusion about whether any material modification should be made. Review-level work does not include reporting on internal control or compliance with provisions of laws, regulations, contracts, and grant agreements.

(3) Agreed-Upon Procedures Engagement. An auditor performs specific procedures on a subject matter or an assertion and reports the findings without providing an opinion or a conclusion on it.

c. Financial Audits. Financial audits provide independent assessments of whether entities' reported financial information is presented fairly, IAW recognized criteria. Financial audits conducted IAW GAGAS include financial statement audits and other related financial audits.

2.4. Acceptance, Initiation and Continuation of Engagements. The Internal Review Office will only accept and/or initiate an engagement if it can:

a. Comply with professional auditing standards, applicable legal and regularity requirements, and ethical principles;

b. Act within its legal mandate or authority; and

c. Has the capabilities, including time and resources.

If, during the course of an engagement, the Chief of the Internal Review Office may cancel an ongoing engagement if they determine they can no longer meet the three objectives above.

2.5. Non-audit Services. Non-audit services can create threats to the auditor's and/or audit organization's independence. Non-audit services should only be accepted on an exception basis and must be approved, in writing, by the Chief, Internal Review Office IAW the Internal Review Office Standard Operating Procedures - Section 1.

SECTION 3: AUDITING STANDARDS, ETHICS, INDEPENDENCE, AND PROFESSIONAL JUDGMENT

3.1 Overview. Standards are broad statements of auditors' responsibilities, and provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve operations and services. These standards provide the foundation for auditors to lead by example in the areas of independence, transparency, accountability, and quality through the audit process.

3.2. Sources of Standards. While, a number of professional and government organizations issue auditing standards, policies, and procedures, the Internal Review Office must comply with GAGAS.

a. DoDIG issues the DoD Audit Manual 7600.07 that applies to all DoD components, and requires compliance with government auditing standards, as defined by the Comptroller General of the United States.

b. The Comptroller General issues the GAGAS, commonly referred to as the "Yellow Book" which include general standards, fieldwork standards, and reporting standards for government auditing. Adherence to these standards helps to produce quality audits that are of maximum benefit to DeCA management.

3.3 Complying with GAGAS. GAGAS uses two categories of requirements: unconditional requirements and presumptively mandatory requirements.

a. Unconditional Requirements. Auditors and audit organizations must comply with an unconditional requirement in all cases where such requirement is relevant. GAGAS users "must" be able to indicate an unconditional requirement.

b. Presumptively Mandatory Requirements. Auditors and audit organizations must comply with a presumptively mandatory requirement in all cases where such a requirement is relevant except in rare circumstances. GAGAS uses "should" be able to indicate a presumptively mandatory requirement.

(1) In rare circumstances, auditors and audit organizations may determine if it is necessary to depart from a relevant presumptively mandatory requirement. In such circumstances, auditors should perform alternative procedures to achieve the intent of that requirement and

(2) Document their justification for the departure and how the alternative procedures were sufficient.

3.4 Ethics. Because auditing is essential to government accountability to the public, the public expects audit organizations and auditors to follow ethical principles. Performing audit work IAW ethical principles is a matter of personal and organizational responsibility. Ethical principles apply in preserving auditor independence, only taking on work that we are competent to perform, performing high-quality work and following the applicable standards cited in the audit report. Auditors maintain integrity and objectivity by performing their work and making decisions consistent with the broader interest of those relying on the audit report, including the general public. All DeCA auditors are required to apply and uphold the following ethical principles, and failure to comply can be subject to disciplinary action: Internal Review Office SOP - Section 3.

- a. DeCA's Code of Ethics.
- b. The Institute of Internal Auditors (IIA) Code of Ethics.
- c. GAGAS ethical principles.

3.5. Independence. All DeCA auditors are expected to be independent, in both mind and appearance, from personal, external, and organizational impairments in all matters relating to audit work. Auditors and audit organizations maintain their independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties.

NOTE: DeCA auditors are required to comply with the DeCA Internal Review Office SOP and immediately advise the Chief, Internal Review Office of any potential independence threats or impairments.

- a. Independence of Mind. The state of mind that permits conducting the engagement without being affected by influences that compromise professional judgment, thereby allowing them to act with integrity and exercise objectivity and professional skepticism.
- b. Independence in Appearance. The absence of circumstances that would cause reasonable and informed third party to reasonably conclude that the integrity, objectivity, or professional skepticism of an auditor or audit organization had been compromised.

3.6 Professional Judgment. Auditors must exercise professional judgment in planning and conducting all engagements. Professional judgment includes exercising reasonable care and professional skepticism. Reasonable care includes acting diligently IAW professional standards and ethical principles. Attributes of professional skepticism include a questioning mind, awareness of conditions that may indicate possible misstatement owing to error or fraud, and a critical assessment of evidence.

a. Auditors are expected to use their professional knowledge, skills, and abilities, in good faith and with integrity to diligently gather information and objectively evaluate the sufficiency and appropriateness of evidence.

b. Professional judgment may involve consultation with other stakeholders, specialists, and management in the audit organization.

c. Using professional judgment is important in:

(1) Carrying out all aspects of professional responsibilities (independence standards; maintaining objectivity and credibility; assigning competent personnel; defining scope; evaluating, documenting, and reporting results; and maintaining appropriate quality control).

(2) Applying independence conceptual framework.

(3) Determining the necessary level of understanding of the engagement subject matter.

(4) Determining the sufficiency and appropriateness of evidence.

d. Absolute assurance is not attainable because of factors such as the nature of evidence and characteristics of fraud. Professional judgment does not mean eliminating all possible limitations or weaknesses associated with a specific engagement, but rather identifying, assessing, mitigating, and concluding on them.

e. All DeCA auditors will exercise professional judgment in all aspects of carrying out their professional responsibilities, to include:

(1) Applying the conceptual framework to determine independence in a given situation.

(2) Maintaining objectivity and credibility.

(3) Defining the scope of work and documenting all significant decisions.

(4) Considering and documenting the level of risk and potential fraud in each engagement.

(5) Determining and documenting the sufficiency and appropriateness of evidence obtained to support findings, conclusions, and recommendations.

(6) Maintaining quality control throughout the engagement.

SECTION 4: AUDIT STAFFING

4.1. Overview. The Chief, Internal Review Office, is responsible for maintaining a competent audit staff, and for ensuring the staff assigned to perform the audit collectively possess adequate professional competence needed to address the audit objectives and perform the work IAW GAGAS.

4.2. Competence. Competence is knowledge, skills, and abilities, obtained from education and experience. Competence enables auditors to make sound professional judgments. It also includes possessing the technical knowledge and skills necessary for the assigned role and the type of work being done—including specific knowledge about GAGAS.

4.3. Ensure Competent Staff. The key factors to ensure a competent audit staff is maintained include: hiring practices, identifying skills, establishing roles, and continuing professional education. (See Internal Review Office SOP – Section 5.)

a. DeCA auditors are hired into the GS-0511 auditor series, which has a positive education requirement IAW Office of Personnel Management qualification standards.

b. DeCA auditors must have the understanding necessary to proficiently apply GAGAS criteria applicable to the engagement and techniques and tools applicable to the work being performed. Understanding may come from prior experience in the subject matter, completing Continuing Professional Education (CPE) and obtaining degrees or certifications relevant to the specialty.

c. To ensure the audit team is competent, the team will normally be comprised of audit staff, a lead auditor, and a supervisory auditor (Internal Review Office SOP - Section 5).

d. CPEs improves auditors' knowledge, skill, and overall competence. While the Chief, Internal Review Office is responsible for ensuring competency, it is primarily the auditor's responsibility that they maintain their technical competence, including keeping abreast of developments and improvements in auditing standards, techniques, and procedures, through CPEs. DeCA requires auditors to complete at least 80 hours of CPEs in a two (2) year period, IAW the Internal Review Office SOP - Section 6.

e. The DeCA Internal Review Office does not routinely use specialists. However, there may be instances where the use of specialized techniques or methods call for the skills of a specialist. In such instances, the Internal Review Office will ensure the specialist is qualified and competent (Internal Review Office SOP - Section 5).

4.4. Performance Evaluation. As part of DeCA, the Internal Review Office participates in the Defense Performance Management and Appraisal Program (DPMAP) and follows Human

Resources Guidance 17-14 and DoDI 1400.25, Volume 431. The Chief, Internal Review Office is the first line supervisor of the auditors and lead auditor (Internal Review Office SOP -Section 5).

SECTION 5: ANNUAL AUDIT PLAN

5.1. Overview. The Chief, Internal Review Office is responsible for developing an Annual Audit Plan (the “Plan”). The plan outlines the audit resources for the year, the subjects of planned audits, and serves as the basis for allocating resources. The DeCA Director approves the plan and any subsequent changes.

5.2. Audit Subjects. The Chief, Internal Review Office will maintain a file of potential audit subjects. The file will include the source of the subject, the activity involved, and the disposition (included/not included in the annual plan).

a. Auditor Identified. DeCA auditors identify potential audit needs from a variety of sources, including: observations, discussions with personnel, reviews of other audits, personal experience, organization mission plans, and professional judgment.

b. Call for Suggestions. The Chief, Internal Review Office will send out an annual call for audit suggestions to all DeCA senior management, and members of the DeCA BoD. Areas of interest suggested by DeCA management can identify potential audit needs.

c. Follow-up. The Internal Review Office will include follow-up audits in the annual plan, as needed.

d. Audit Briefings. Questions and comments during meetings (such as entrance and exit briefings) may be outside the scope of the current audit, but could present potential audit needs.

e. External Auditors. Notices of Findings and Recommendations (NFR) from external auditors can identify potential audit needs.

f. Mission Directives. Auditors will review DeCA mission directives to identify potential audit needs.

g. Significant Activities. The Chief, Internal Review Office will review Significant Activity Reports for mention of subjects that may identify potential audit needs.

h. Legislative Requirements. A program governed by Public Law may present a potential audit need. Examples include environmental, personnel management, and injury compensation.

5.3. Risk Based Planning. The Internal Review Office uses a risk based approach in developing the Annual Audit Plan. The Chief, Internal Review Office evaluates potential audit subjects using the factors in the Internal Review Office SOP - Section 7.

5.4. Annual Audit Plan Cycle. The annual audit plan cycle consists of three phases, preparing the plan, getting the plan approved and changing the plan.

a. **Prepare Plan.** After evaluating the potential audit needs, the Chief, Internal Review Office prepares an annual audit plan that includes: audit resources, audit subject(s) with objectives and budgeted hours, and estimated completion dates. The plan will also identify resources for support for the DoDIG Peer Review Program, and contingency for special requests by DeCA management.

b. **Approve Plan.** The Chief, Internal Review Office will present the completed plan to the DeCA Director for approval. After approving the plan, the Director will provide a copy to the Chairperson of the BoD's Audit Committee.

c. **Changes to Plan.** The plan is subject to change based on risk or need. The Chief, Internal Review Office will evaluate unscheduled audit requests and determine if and when to begin the engagement. If there is a special request, and the Chief, Internal Review Office believes an audit need is a priority, they will submit a request to the DeCA Director for approval to adjust/amend the plan, as needed.

SECTION 6: AUDIT PLANNING

6.1. Overview. Audit planning is designed to obtain the information needed to determine or refine the audit scope or objectives and develop an in-depth plan for answering the audit objective(s). During the planning phase, auditors should assess the significance of the area being audited and the audit risk. Then, using the assessments, design the scope and methodology for obtaining sufficient and appropriate evidence that will lower the audit risk to an acceptable level by providing a reasonable basis for conclusions. During the planning phase, DeCA audit staff will perform duties as outlined in the Internal Review Office SOP - Section 8. Key concepts are:

a. **Objective.** The audit objectives are what the audit is intended to accomplish. They identify the audit subject matter and performance aspect to be included. They can be thought of as the question being asked about the program.

b. **Scope.** The scope is the boundary of the audit and is directly tied to the audit objective. The scope defines what is being assessed, such as a particular program or aspect of a program, the necessary documents or records, the period of time being reviewed, and locations included.

c. **Methodology.** The methodology describes the nature and extent of the audit procedures for gathering and analyzing evidence to answer the objective.

d. **Significance.** Significance is defined as the relative importance of a matter within the context in which it is being considered. Factors include the magnitude in relation to the objective, the nature and effectiveness of the matter and the matter's effectiveness on the program or activity. Significance in performance audits is comparable to materiality in financial audits. Significance is a matter of professional judgment.

e. **Audit Risk.** Audit risk is the possibility the auditor's findings, conclusions, recommendations, or assurance may be improper or incomplete as a result of not having sufficient or appropriate evidence, an inadequate audit process of intentional omissions or misleading information.

6.2. Audit Planning Steps. Audit planning steps are designed to help gather basic background information on the program or operation and get a clear understanding of the audit area. See Planning Steps in the Internal Review Office SOP - Section 8 for a list and description of steps the auditor must complete and document during audit planning.

6.3. Audit Planning Documentation. DeCA auditors will document all planning steps IAW the Internal Review Office SOP - Section 9. The DeCA Internal Review Office uses Team Mate Electronic Working Papers (EWP) to document all audit-related work.

6.4. Audit Decision. DeCA auditors must summarize the inspection planning and conclude whether or not the audit will continue. It will be management's decision, based on the results of planning steps, whether to continue the audit.

6.5. Written Audit Guide. DeCA auditors must prepare a written guide for each audit. The form and content of the guide may vary among audits. The Chief, Internal Review Office will approve an audit guide prior to entering the audit execution phase.

a. **Unused Steps.** The actual amount of planning work required will vary depending on the audit team's familiarity with the subject and/or the control environment. As such, not all the steps in the audit guide may be necessary. In those cases, the auditor(s) must document why the step was not performed. The step must be approved by either the Lead Auditor or the Chief, Internal Review Office.

b. **Changes to Audit Guide.** Audit guides are living documents that are subject to change. If significant changes are needed, the DeCA auditor(s) will update the audit guide and have it approved by the Chief, Internal Review Office. The auditor will retain all approved revisions in the audit documentation in Team Mate.

SECTION 7: AUDIT EXECUTION

7.1. Overview. During audit execution, DeCA auditors perform steps in the audit program to accomplish the audit objective(s). The steps are designed to provide reasonable assurance the evidence obtained is sufficient and appropriate to support the findings and conclusions, as required by GAGAS. Auditors must document the test performed, the results, and the evaluation of the results, using procedures as described in the Internal Review Office SOP - Section 9.

7.2. Evidence. Auditors must obtain appropriate and sufficient evidence to provide a reasonable basis for their findings and conclusions. DeCA auditors must consider appropriateness of evidence, sufficiency of evidence, and types and sources of evidence, as defined in the Internal Review Office SOP - Section 10.

7.3. Audit Documentation. Auditors must prepare audit documentation related to planning, conducting, and reporting for each review. Auditors should prepare documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the nature, timing, extent, and results of documentation procedures performed; the evidence obtained; and its source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions.

a. Auditors should prepare audit documentation that contains evidence that supports the findings, conclusions, and recommendations before they issue their report.

b. Auditors should design the form and content of audit documentation to meet the circumstances of the particular audit. The audit documentation constitutes the principal record of the work that the auditors have performed IAW standards and the conclusions that the auditors have reached.

c. DeCA Internal Review auditors will prepare audit documentation IAW Internal Review Office SOP - Section 9 and use Team Mate EWP to document all audit-related work.

d. DeCA Internal Review will make appropriate individuals and audit documentation in a timely manner, subject to provisions of applicable laws and regulations. DeCA Internal Review Office reports and working papers are considered official records. Audit documentation will be maintained in compliance with the records retention requirement in the Internal Review Office SOP - Enclosure 8.

7.4. Data Reliability. DeCA auditors will prepare a separately-indexed working paper to document the assessment of data reliability. At a minimum, the data reliability assessment working paper will include:

- a. Source of the data (computer application, database, contact, etc.).
- b. Extent of data testing (types of tests) performed to determine reliability.
- c. Results of tests conducted to assess data reliability.
- d. Auditor conclusion on data reliability, on each data element, and on the data as a whole.

7.5. Audit Sampling. DeCA auditors will prepare a working paper to document the methodology, computations, and inferences made from computer-assisted automated testing and techniques (CAATTs) or samples used in the audit.

a. **Statistical Sampling.** Document the size universe as well as the selected sample. Document the criteria used for initial selections, and the criteria used to narrow down the initial selection, if applicable. Document the techniques (methodology) used to select, analyze, and evaluate the data.

b. **Non-statistical Sampling.** For non-statistical samples, identify the size and value, if applicable, of the universe, the sample size and value, if applicable, what was sampled, and the time period from which the sample was selected. If the non-statistical sample includes only data with specific characteristics or within specific parameters, identify the characteristics and/or parameters.

7.6. Findings. Auditors should plan and perform procedures to develop the elements of a finding necessary to address the audit objective(s). The typical elements of a finding are criteria, condition, cause, effect (or potential effect), and recommendation. DeCA auditors will document findings IAW the Internal Review Office SOP - Section 8. DeCA auditors will discuss (validate) audit findings with management throughout the audit. Early validation of the findings will assist the auditor in obtaining management's concurrence with audit conclusions, and will provide operating personnel the opportunity to immediately correct identified problems. Although auditors may communicate findings early, the reporting requirements still apply.

7.7 Communication. DeCA auditors will communicate with the auditee and/or management throughout the audit. The GAGAS and Internal Review Office SOP specifically requires communication during fieldwork (execution), unless doing so could significantly impair the auditors' ability to obtain sufficient, appropriate evidence to address the audit objective(s), such as when the auditors plan to conduct unannounced cash counts or perform procedures related to indications of fraud. Auditors should communicate:

- a. An overview of objectives, scope, and methodology
- b. The timing of the audit and planned reporting.
- c. If there is a finding of relative significance with an urgency for corrective follow-up action to prevent further noncompliance.

SECTION 8: AUDIT REPORTING

8.1. Overview. GAGAS states “auditors should issue audit reports communicating the results of each completed performance audit.” The report should be in a form that is appropriate for its intended use, either in writing or in some other retrievable form.

8.2. Cancelled Audits. If an audit is cancelled the Chief, Internal Review Office, will determine if a report will be issued and the form of the report. Generally, if sufficient work to reach a conclusion was performed, a report should be issued. If there was not sufficient work performed to reach a conclusion, no report should be issued. However, the Chief, Internal Review Office will issue a memorandum stating the audit is canceled, including justification for the action.

8.3. Audit Report Contents. The audit report should contain:

- a. The objectives, scope and methodology,
- b. Audit results, including findings, conclusions and recommendations, as appropriate,
- c. A summary of the views of responsible officials, and
- d. The nature of any confidential or sensitive information omitted. The Internal Review Office SOP - Section 12, contains guidance for audit reporting form, content, distribution, and timeliness.

8.4. Reporting Compliance with GAGAS. When auditors conduct an engagement IAW GAGAS or are representing to others that they did so, they should cite compliance with GAGAS in the audit report (See Internal Review Office SOP – Section 12). Auditors should include one of the following types of GAGAS compliance statements in reports on GAGAS engagements, as appropriate.

a. Unmodified GAGAS compliance statement that the auditors conducted the engagement IAW GAGAS. Auditors should include an unmodified GAGAS compliance statement in the audit report when they have: (1) followed unconditional and applicable presumptively mandatory GAGAS requirements; or (2) followed unconditional requirements, documented justification for any departures from applicable presumptively mandatory requirements, and achieved the objectives of those requirements through other means.

b. Modified GAGAS compliance statement stating either that:

(1) The auditors conducted the engagement IAW GAGAS, except for specific applicable requirements that were not followed, or

(2) Because of the significance of the departure(s) from the requirements, the auditors were unable to and did not conduct the engagement in accordance with GAGAS.

c. When auditors use a modified GAGAS statement, they should disclose in the report the applicable requirement(s) not followed, the reasons for not following the requirement(s), and how not following the requirement(s) affected or could have affected the engagement and the assurance provided.

d. When auditors do not comply with applicable requirement(s), they should (1) assess the significance of the noncompliance to the engagement objectives; (2) document the assessment, along with their reasons for not following the requirement(s); and (3) determine the type of GAGAS compliance statement.

8.5. Reporting Findings to Outside Parties. The Chief of Internal Review should report known or likely fraud, noncompliance with provision of laws, regulations, contracts, grant agreements, or abuse directly to parties outside DeCA when:

a. Management fails to satisfy legal or regulatory reporting requirements. Auditors should first report such information to those charged with governance, if they still do not report the information, the auditors should report the information to the proper parties.

b. Management fails to take timely and appropriate steps to respond to known or likely fraud, noncompliance with provision of laws, regulations, contracts, grant agreements, or abuse. Auditors' should first report the action to those charged with governance. If they still do not take appropriate steps, the auditors should report it to the proper officials.

8.6. Deficiencies Identified After Issuing the Report. If auditors discover they did not have sufficient, appropriate evidence to support the reported findings or conclusions, they will immediately communicate that to the Chief, Office of Internal Review. The Chief, Office of Internal Review, will communicate, in the same way the report was distributed, to those to whom the report was distributed, that the findings and conclusions were not supported so the users will not continue to rely on the results. If the report was posted on a website, the Chief, Office of Internal Review, will remove the report and post a notification that the report was removed.

8.7. Additional Work. The Chief, Office of Internal Review will determine if additional work is necessary. If additional audit work is required, the Chief will determine what additional work is required, and whether to perform the work necessary to reissue the report, including any revised findings or conclusions. Otherwise, the office may repost the original report.

SECTION 9: SYSTEM OF QUALITY CONTROL

9.1. Overview. An audit organization conducting engagements IAW GAGAS 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.

a. An audit organization's system of quality control encompasses the organization's leadership, emphasis on performing high-quality work, and policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements. The nature, extent, and formality of an audit organization's quality control system will vary based on the audit organization's circumstances, such as size, number of offices and, geographic dispersion, knowledge and experience of its personnel, nature and complexity of its engagement work, and cost-benefit considerations.

b. The Chief, Internal Review Office is responsible for quality within the audit organization that includes designating responsibility for quality of engagements conducted IAW GAGAS and communicating policies and procedures relating to quality. The Chief, Internal Review Office is responsible for a system of quality control that encompasses audit leadership, emphasizes performing high quality work, and Internal Review Office policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements. Our Quality Control System includes:

- a. Supervision
- b. Cross-Referencing (Internal Review Office SOP - Section 13).
- c. Independent Reference Reviews (Internal Review Office SOP - Section 13).
- d. Internal Quality Monitoring (Internal Review Office SOP - Section 16).
- e. External Peer Reviews (Internal Review Office SOP - Section 17).

9.2. Supervision. Supervision is the most important aspect of an effective quality control and assurance program. If performed correctly, supervision ensures a quality audit product. Supervision begins with audit planning and continues through audit completion and includes:

- a. Tracking the progress of the engagement;
- b. Considering the competence of individual members of the engagement team, whether they understand their instructions, and whether the work is being carried out IAW the planned approach to the engagement;

c. Addressing significant findings and issues arising during the engagement, considering their significance, and modifying the planned approach appropriately; and

d. Identifying matters for consultation or consideration by engagement team members with appropriate levels of skill and proficiency in auditing, specialists, or both, during the engagement.

e. A review of the work performed includes consideration of whether:

(1) The work has been performed IAW professional standards and applicable legal and regulatory requirements;

(2) Significant findings and issues have been raised for further consideration;

(3) Appropriate consultations have taken place and the resulting conclusions have been documented and implemented;

(4) The nature, timing, and extent of the work performed is appropriate and without need for revision;

(5) The work performed supports the conclusions reached and is appropriately documented;

(6) The evidence obtained is sufficient and appropriate to support the report; and

(7) The objectives of the engagement procedures have been achieved.

f. In cases where the Chief, Internal Review Office generates audit documentation, the requirement for a second auditor to review work performed and related documentation may be achieved through alternative procedures.

9.3. Project Quality Control Checklist. The Project Quality Control Checklist helps ensure quality throughout the audit process by tracking key requirements for each phase of the audit. (Internal Review Office SOP - Section 18). Once the auditors complete the work, they will update the checklist indicating each step was complete or documenting the reason the step was not completed. The Lead Auditor or Chief, Internal Review Office will review the checklist and verify the quality of the work before moving into the next phase of the audit. Upon completion of the project, the checklist cover page will be signed by the Lead Auditor/Chief, Internal Review Office, as applicable.

9.4. Report Quality Assurance Process. The report quality control process (Internal Review Office SOP - Section 13) is designed to ensure the draft report is accurate,

a. **Cross-Referencing.** The auditor will hyperlink the approved draft report to the working papers. It is only necessary to reference the approved draft report once. However, any significant changes to the report after the Independent Reference Review must be cross-referenced. The auditor will ensure any figures, dates, direct quotations, statements, or fact and/or assertions in the report are cross-referenced. Hyperlinks must be sufficient enough to allow the person performing the Independent Referencing Review to locate the information and reach the same conclusion.

b. **Independent Reference Review.** The review is required to obtain a reasonable assurance the work is accurate, supported and complies with professional standards and applicable legal/regulatory requirements.

9.5. Internal Quality Monitoring. Annually, the Chief, Internal Review Office will evaluate the quality control system by evaluating the overall quality of work for at least 10 percent (but no fewer than two) completed audit projects. The Chief, Internal Review Office will prepare a written report and summarize any trends or systemic issues, any issues requiring management attention, and any recommendations for improving the process (Internal Review Office SOP - Section 16).

9.6. External Peer Review. The DeCA Internal Review Office, IAW GAGAS, will obtain an external peer review at least once every three (3) years to determine, for the period under review, if our system of quality control was suitably designed to provide reasonable compliance with professional standards (Internal Review Office SOP - Section 17).

9.7. Internal Audit. The Internal Review Office will make a copy of the latest peer review report available on SharePoint. If there is a separate communication detailing findings, conclusions and recommendations, it does not have to be made available on SharePoint. A copy of the peer review should also be provided to those charged with governance.

GLOSSARY

G.1 ACRONYMS

AICPA	American Institute of Certified Public Accountants
BOD	Board of Directors
CAATTS	Computer Assisted Auditing Tools and Techniques
CCA	Internal Review
CPE	Continuing Professional Education
DeCA	Defense Commissary Agency
DeCAD	Defense Commissary Agency Directive
DoD	Department of Defense
DoDD	Department of Defense Directive
DoDIG	Department of Defense Inspector General
DPMAP	Defense Performance Management and Appraisal Program
EWP	Electronic Working Papers
GAGAS	Generally Accepted Government Auditing Standards
GAO	U.S. Government Accountability Office
IIA	Institute of Internal Audits
IAW	In Accordance With
NFR	Notices of Findings and Recommendations

REFERENCES

- DeCAD 90-5, "Internal Audit Activities," August 15, 2014.
- DoD Directive 5105.55, "Defense Commissary Agency," March 12, 2008
- DoD Directive 7200.1, "Administrative Control of Appropriations," May 4, 1995, Certified
Current as of November 21, 2003
- DoD Instruction 7600.2, "Audit Policies," October 16, 2014
- DoD Manual 7600.7-M, "DoD Audit Manual," August 3, 2015
- Internal Review Office, Standard Operating Procedures, August 9, 2019r
- GAO-09-680G, Assessing the Reliability of Computer-Processed Data, External Version 1, July
2009
- GAO-18-568G "Government Auditing Standards" (Yellow Book), 2018 Revision, July 2018.