

October 21, 2003



Audit Oversight

Defense Contract Audit Agency
Quality Assurance Review of "All
Others" Audits
(D-2004-6-001)

Office of the Inspector General
of the Department of Defense

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Acronyms

AICPA	American Institute of Certified Public Accountants
APFINCAP	Audit Program for Detailed Financial Condition Risk Assessment and Financial Capability Audit
APPS	Audit Planning and Performance System
CAM	DCAA Manual 7640.1, "DCAA Contract Audit Manual"
CAS	Cost Accounting Standards
DCAA	Defense Contract Audit Agency
DMIS	DCAA Management Information System
ESC	Executive Steering Committee
FAO	Field Audit Office
FAR	Federal Acquisition Regulations
GAO	General Accounting Office
GAS	Government Auditing Standards
IG DoD	Inspector General of the Department of Defense
MFR	Memorandum for Record
MRD	Memorandum for Regional Directors
PASS	Post-award Selection System
PCIE	President's Council on Integrity and Efficiency
RQA	Regional Quality Assurance Division
SAP	Standard Audit Program



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October 21, 2003

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY

SUBJECT: Defense Contract Audit Agency Quality Assurance Review of "All Other"
Audits (Report No. D-2004-6-001)

We are providing this report for your information and use. We considered management comments on a draft of this report when preparing the final report.

Comments on a draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Wayne C. Berry at (703) 604-8789 (DSN 664-8789) or Ms. Diane H. Stetler at (703) 604-8737 (DSN 664-8737).

A handwritten signature in cursive script, reading "Patricia A. Brannin", is positioned above the printed name.

Patricia A. Brannin
Assistant Inspector General
for Audit Policy and Oversight

Office of the Inspector General of the Department of Defense

Report No. D-2004-6-001

October 21, 2003

(Project No. D-2002-OA-0199)

Defense Contract Audit Agency Quality Assurance Review of “All Other” Audits

Executive Summary

Who Should Read This Report and Why? The Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Defense Contract Audit Agency (DCAA) Executive Steering Committee should read this report. The report discusses the status of the DCAA quality assurance program and the quality assurance review of “all other” audits.

Background. An audit organization’s internal quality assurance program is an integral part of its overall management program. This is the fourth in a series of reports on the DCAA headquarters-led quality assurance program. DCAA selected “all other,” one of four categories of audits, as the fourth category to be covered by the DCAA headquarters-led quality assurance reviews. For FY 2002, DCAA completed 40,045 assignments, valued at \$250.6 billion, with net savings of \$2.5 billion. DCAA incurred \$387.9 million in total operating costs to provide the audit services. As of September 30, 2002, the DCAA workforce consisted of 3,534 auditors.

Results. Although the results of the DCAA quality assurance reviews of “all other” audit assignments were generally valid, the review did not include all significant audit areas and did not identify some policy issues. Specifically, when planning the quality assurance review of “all other” audits, DCAA did not include progress payment audits in the scope of the review for five of the six regions. DCAA also did not include in their review the cycling of financial condition risk assessments nor the selection process for post-award audits. In addition, DCAA did not adequately review agreed-upon procedures assignments and did not identify an inadequacy in its accounting system survey guidance. As a result, DCAA did not identify a significant noncompliance related to the proper reporting of agreed-upon-procedures assignment as well as other policy issues and, therefore, could not initiate corrective actions to ensure proper cycling of financial capability reviews, selecting post-award audits, and adequate performing of accounting system survey assignments.

Management Comments. DCAA concurred with our recommendations.

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Background

An audit organization's internal quality assurance program is an integral part of its overall management program. This is the fourth in a series of reports on the Defense Contract Audit Agency (DCAA) quality assurance program. The "Government Auditing Standards" (GAS), issued by the Comptroller General of the United States, requires that each audit organization have an appropriate quality control system and undergo an independent external quality control review at least once every 3 years. The objective of an external quality control review is to determine whether the organization's internal quality control system is properly implemented and operating effectively to provide reasonable assurance that established policies, procedures, and auditing standards are being followed.

President's Council on Integrity and Efficiency. The President's Council on Integrity and Efficiency (PCIE) was established to identify, review, and discuss areas of weakness and vulnerability in Federal programs and operations; to develop plans for coordinated, Government-wide activities that address those issues; and to promote economy and efficiency in Federal programs and operations. As part of that mandate, the PCIE developed the "Guide for Conducting External Quality Control Reviews of the Audit Operations of Offices of Inspector General" (PCIE Guide), January 2002, as a tool to promote consistency in conducting quality control reviews in accordance with GAS. The PCIE Guide is advisory and is not intended to replace a reviewer's professional judgment regarding the approach or scope of a review. The PCIE Guide includes a variety of checklists that organizations can use as tools when conducting quality control reviews. DCAA adapted the PCIE Guide for its quality assurance program. DCAA uses the approach recommended in the PCIE Guide when conducting its quality assurance reviews. As part of the process, DCAA drafted its own checklist (DCAA Checklist) by adapting questions from PCIE Appendix E, "Financial Statement Presentation and Disclosure Checklist," (PCIE Checklist E), and PCIE Appendix F "Checklist for Review of Individual Performance Audits," (PCIE Checklist F), for use in its internal quality assurance reviews.

DCAA Organization and Functions. DoD Directive 5105.36, "Defense Contract Audit Agency," June 9, 1965,¹ establishes DCAA as a separate organization under the direction, authority, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer. The primary mission of DCAA is to perform contract audits for DoD. In addition, DCAA is responsible for providing accounting and financial advisory services regarding contracts and subcontracts to DoD Components that perform procurement and contract administration duties. Also, DCAA provides contract audit services for non-DoD Federal organizations on a reimbursable basis. For FY 2002, DCAA completed 40,045 assignments, valued at \$250.6 billion,² with net savings of \$2.5 billion. DCAA incurred \$387.9 million in total operating costs to provide the audit

¹DoD Directive 5105.36 was last updated on February 28, 2002.

²This amount represents dollars that DCAA examined or reviewed for forward pricing assignments, incurred cost audits, and special audits (for example, terminations, claims, and Government facility rentals).

services. As of September 30, 2002, the DCAA workforce consisted of 3,534 auditors. DCAA audit guidance is contained in the DCAA Manual 7640.1, “DCAA Contract Audit Manual” (CAM).³ Specifically, CAM section 2-101 states that GAS is applicable to DCAA. DCAA ensures compliance with the applicable auditing standards throughout audit planning and performance activities by supplementing audit guidance in the CAM with standard audit programs. Between CAM updates, DCAA headquarters notifies managers of new and revised audit guidance by issuing Memorandums for Regional Directors (MRDs) that are usually incorporated in the next CAM update. DCAA has a quality control system that is implemented at all levels of the organization. Appendix B describes the structure of the DCAA quality control system.

“All Other” Audits. DCAA initiated the quality assurance review of FY 2001 “all other” audits, its fourth headquarters-led quality assurance review, in August 2001. In FY 2001, DCAA completed 42,649 assignments, of which 20,858 (49 percent) were “all other” assignments. In addition, DCAA auditors expended about 1.3 million hours performing “all other” audits. Assignments included in the “all other” category include all types of assignments not covered under the reviews of forward pricing, internal control, and incurred cost assignments. See Appendix C for a complete listing of the types of assignments.

Results of DCAA Quality Assurance Review of “All Other” Audits and Inspector General of the Department of Defense Retesting. The DCAA quality assurance review of “all other” audits identified significant noncompliances with GAS for which DCAA has either implemented or initiated corrective action. Specifically, DCAA identified issues related to due professional care, planning, supervision, evidence, compliance with laws and regulations, and reporting. We conducted reviews of assignments that DCAA did not review at three Field Audit Offices (FAOs) and performed retesting at two of those FAOs. We concluded that the same type of systemic noncompliances did exist and that the DCAA results were generally valid. Resolving the issues that DCAA identified is important to ensure that quality audits are performed in accordance with GAS and that quality audit reports are issued. See Appendix D for a discussion of the significant noncompliances and the corrective actions that DCAA implemented or initiated.

Objectives

The objective for this oversight review was to review the status of the DCAA quality assurance program and to assess how DCAA performed the quality assurance review of “all other” audits. We will make an overall determination as to whether the DCAA quality control system as a whole provides reasonable assurance that established policies, procedures, and applicable auditing standards are being followed after completing our external quality control review. See Appendix A for a discussion of the scope, methodology, and prior coverage.

³DCAA Manual 7640.1 is updated every 6 months. As of September 2003, the current version is July 2003.

Planning and Performing the Quality Assurance Review of “All Other” Audits

Although the results of the DCAA quality assurance reviews of “all other” audit assignments were generally valid, the review did not include all significant audit areas and did not identify some policy issues. Specifically, when planning the quality assurance review of “all other” audits, DCAA did not include progress payment audits in the scope of the review. DCAA also did not include in their review the cycling of financial condition risk assessments or the selection process for post-award audits. In addition, DCAA did not adequately review agreed-upon procedures assignments and did not identify an inadequacy in its accounting system survey guidance. As a result, DCAA did not identify a significant noncompliance related to the proper reporting of agreed-upon-procedures assignment as well as other policy issues and, therefore, could not initiate corrective actions to ensure proper cycling of financial capability reviews, selecting post-award audits, proper reporting of agreed-upon procedures assignments, and adequate performing of accounting system survey assignments.

Selection of FAOs and “All Other” Audit Assignments

DCAA used a reasonable method for selecting the FAOs for review during the internal quality assurance review of “all other” audits. However, the criteria used to pick the categories of audits to be reviewed did not properly consider all the risks involved with each type of audit. Therefore, DCAA did not properly assess the risk associated with progress payment audits and did not include them in the scope of their review. However, Field Detachment Quality Assurance Division did select two progress payment assignments for review because of the lack of “all other” audit activity at the Field Detachment FAOs visited.

Selection of FAOs. For the internal quality assurance review of “all other” audits, DCAA developed a methodology for selecting which FAOs would be reviewed. First DCAA identified the 20 FAOs that had not been visited in the previous headquarters-lead quality assurance reviews performed since May 1999 (forward pricing, internal controls, and incurred cost audit reviews). Of the 20 FAOs, DCAA selected 16 FAOs to be reviewed. Because Field Detachment had only one FAO not visited previously, DCAA selected a second FAO to be reviewed. The 17 FAOs reviewed represented 21.5 percent of the 79 DCAA FAOs existing as of June 2002⁴. Once FAOs were selected, DCAA selected the assignments to be reviewed at each FAO.

Selection of Assignments. DCAA determined what assignment codes or categories of audits should be reviewed based on whether the assignment code accounted for at least 10 percent of the total agency-wide DCAA hours charged

⁴ As of July 2003, 82 DCAA FAOs existed.

for “all other” audit work⁵. See Appendix C for a list of all DCAA assignment codes/audits considered. Using the 10 percent criteria, DCAA selected the following audits and associated assignment codes for review and grouped them into categories.

- 10500/10600 – Operation Audits and follow-ups on Operation Audits
- 17100/17200 – Terminations and Other Claims
- 17600 – Financial Capability Audits
- 17900 – Other Requested Special Audits
- 19200/19400/19500 – Cost Accounting Standards (CAS) Noncompliance, CAS Compliance, CAS Cost Impact
- 42000 – Post-award Audits⁶

Next, DCAA judgmentally selected individual audit assignments from the assignment codes for each FAO to be visited. DCAA first selected only assignments that issued reports in the designated assignment codes. Second, they selected one assignment with the highest hours incurred, highest cost avoidance or questioned costs, or largest dollars examined from each assignment code category. Finally, DCAA selected assignments that provided a cross-section of FAO audit teams and supervisors and had at least one assignment from each of the six assignment codes. Based on the above-described methodology, DCAA selected 121 assignments for review, averaging seven assignments at each FAO.

Risk Factors. The selection criteria that DCAA used did not consider all applicable risk factors. For instance, in a meeting between the DCAA and the Inspector General of the Department of Defense (IG DoD) on February 7, 2002, we told DCAA that we consider progress payments a high-risk area for DoD and should be reviewed. However, DCAA did not select any progress payment assignments except for the two Field Detachment FAOs.⁷ Although DCAA performed 1,413 progress payments audits expending 49,854 hours in FY 2001, DCAA did not include progress payments in their reviews because these assignments did not meet the 10 percent materiality test. Therefore, the IG DoD performed a quality assurance review of five progress payment assignments.

Importance of Other Risk Factors. The inclusion of other risk factors in the selection process for “all other” audits was more important than in prior reviews because of the nature of “all other” audits. For the previous headquarters-led quality assurance reviews, DCAA grouped audit assignments together based not only on the audit area covered but also on the interrelationship of the various audit areas. Therefore, the audits included in the “all other” category were the remaining types of audits that DCAA performs. As such, they represent audit

⁵ An assignment code is a five-digit identifier recognized by the DCAA Management Information System (DMIS) as specifying a discrete audit scope or type of audit.

⁶ Post-award audits are also known as defective pricing reviews. These reviews are conducted to determine whether the contractor complied with the Truth in Negotiations Act and disclosed current, accurate, and complete cost or pricing data.

⁷ Field Detachment Quality Assurance Division included progress payment assignments because of the lack of variety of “all other” audits performed by the FAOs.

areas with very little in common. For instance, “all other” audits included agreed-upon procedures engagements as well as financial capability reviews, Government facility rental payments, and post-award reviews.

Consideration of Other Risk Factors. By including only audits from assignment codes that represented at least 10 percent of the total “all other” workload, DCAA did not consider all applicable risk factors. For instance, DCAA did not consider risk factors such as audit complexity, audit sensitivity, status of audit guidance, or changes in auditing standards. DCAA also did not consider risk factors identified by other organizations such as General Accounting Office (GAO) designated high-risk areas, DoD management risks, or reimbursable customers’ concerns. In addition, assignments with low hours charged or no cost avoidance or questioned costs may be high risk because the audit staff may not have considered the assignment significant; therefore, quality controls may not have been properly implemented.

Risk Assessment Process for the Next 3-Year Cycle. DCAA consistently used the criteria of highest hours expended and highest dollars reviewed or questioned on the quality assurance reviews in this 3-year cycle. Although this methodology was generally acceptable for the first cycle, DCAA should consider a more sophisticated selection process for the next 3-year quality assurance review cycle that will include other risk factors. DCAA should perform a risk assessment for each review, considering the specific risks that apply to each audit area being reviewed. DCAA should also identify other risk factors for selecting the FAOs. The risk assessment should enable DCAA to determine the criteria for selecting FAOs and assignments. Examples of other risk factors are:

- previously identified differences;
- significant changes in management or staff;
- FAO familiarity with the audit type;
- recent guidance or audit program changes;
- assignments with a low number of hours expended and a high number of dollars questioned;
- assignments with high hours expended and low or no dollars questioned;
- new audit areas; and
- relationship to GAO high-risk areas or DoD management challenges.

Coverage of Reimbursable Audits. DCAA did not additionally consider reimbursable work when selecting the audits to be reviewed. Because DCAA included all audits performed in the selection universe, they did include reimbursable audits. Reimbursable work presents a higher risk because it may require a familiarity or understanding of regulations and policies unique to the non-DoD agency not previously identified or considered by the auditor. Also, DCAA customers should be assured that the quality of the work performed for their agency was reviewed by the internal quality assurance team. Therefore, DCAA needs to ensure that a cross-section of reimbursable audits performed for other agencies are reviewed as part of the headquarters-led internal quality assurance reviews.

Result of Improving Risk Assessment and Selection Process. By performing a thorough risk assessment and developing a more sophisticated selection process, DCAA will reduce the risk of not identifying significant or systemic noncompliances with standards and policies. In addition, DCAA will ensure that the quality control program is equally effective for all audits, not just those that represent the most significant audit effort by DCAA.

Review of Audit Planning Processes

DCAA generally has included FAO implementation of other audit planning processes in its reviews. For instance, DCAA reviewed CAS cycling in this internal quality assurance review and the Internal Control Reporting System and cycling of internal control reviews during their quality assurance review of internal control audits. DCAA did not review all the audit planning processes related to “all other” audits. Specifically, DCAA did not review the cycling of financial condition risk assessments and the selection process for post-award audits at the FAOs they visited.

Review of Cycling of Financial Condition Risk Assessments. DCAA did not review the cycling of financial condition risk assessments. DCAA stated that this was an oversight and that reviewing procedures for cycling financial condition risk assessments was never considered when they planned their quality assurance review of “all other” audit assignments.

Financial Condition Risk Assessments and Audits. Contractor financial condition risk assessments are performed to determine whether or not the auditor should perform a financial capability audit. Financial capability audits are performed to determine whether the contractor is financially capable to perform on Government contracts and, therefore, are important to the contracting officer’s ability to determine contractor responsibility and to protect the Government’s interests. A contractor’s financial difficulties could lead to contract nonperformance, monetary loss to the Government, and inefficient use of contracting resources.

DCAA Guidance on Cycling Financial Condition Risk Assessments. DCAA FAOs are required to cycle performance of financial condition risk assessments at their contractors. Specifically, CAM 14-303 states:

FAOs will perform an annual financial condition risk assessment of the contractor's financial condition for major and nonmajor contractors, unless a risk assessment was performed and documented in other audits during the year. . . . A detailed financial condition risk assessment should be performed cyclically every three years with modified financial condition risk assessments performed in the years when a detailed risk assessment is not performed. . . . If the risk assessment so indicates, audit plans will be developed for completing the financial capability audit (DIIS audit program - APFINCAP, “Audit Program for Financial Capability Audit”).

Result of Not Reviewing the Cycling of Financial Condition Risk Assessments. Because DCAA did not review cycling of financial condition risk

assessments, we performed a limited review at the three FAOs we visited to determine whether the assessments had been properly cycled as required. The FAOs reviewed did not have adequate procedures for cycling these assessments. In addition, the FAOs would have difficulty tracking the required cycling since no centralized system existed. Because DCAA did not include this area in the scope of their review, they did not identify a weakness in the cycling process, it was not reported to the Executive Steering Committee (ESC), and corrective action was not implemented. Therefore, required financial capability reviews may not have been performed.

Review of Selection Process for Post-award Audits. DCAA did not review the selection process for post-award audits at the FAOs they visited. DCAA stated that a review of the FAO post-award selection process was not one of the objectives of the “all other” review.

Post-award Audits. Post-award audits are performed to determine whether the contract price was increased by a significant amount because the contractor did not submit or disclose accurate, complete, and current cost or pricing data. As discussed in CAM 14-102 c.

DCAA has set up a formal process for selecting pricing actions for post-award audits. This is accomplished during the DCAA annual planning process to determine the program plan.

DCAA Guidance on the Selection of Pricing Actions for Post-award Audit. DCAA FAOs are to perform post-award audits based on the annual requirements and selection process issued by headquarters. Specifically, CAM 14-113.1 states:

FAOs and regions develop their annual defective pricing requirements plan using the Planning Manual and specific instructions issued by Headquarters. FAOs develop and maintain a universe of eligible actions from which they select actions for audit. The specific Headquarters instructions explain how to estimate contractor risk and determine the number of pricing actions for post-award audit.

DCAA FAOs use the Post-award Selection System (PASS) for identifying the potential risk that contracts may be defectively priced. Based on risk determinations and leads within each FAO, the FAO uses the PASS matrix to determine the number of required pricing action selections. These actions will then be programmed for post-award audit.

Result of Not Reviewing the Selection Process for Post-award Audits. Because DCAA did not review the post-award selection process, DCAA and its customers are not assured that the most appropriate pricing actions are being selected for post-award audits. Inappropriate selections could cause DCAA to inefficiently use its limited resources. In addition, inappropriate selections may result in a disproportionate number of negative findings, thereby implying that contractors are fully complying with the Truth in Negotiations Act.

Quality Assurance Review of Agreed-upon Procedures Assignments

During this quality assurance review, DCAA did not adequately review agreed-upon procedures assignments. DCAA did not sufficiently modify the DCAA Checklist or its criteria to properly reflect the unique standards that apply to agreed-upon procedures. As a result, DCAA did not identify significant reporting issues that resulted in noncompliances with applicable GAS; therefore, DCAA could not initiate corrective actions to ensure adequate reporting on the application of agreed-upon procedures assignments.

Performing the Review of Agreed-Upon Procedures Assignments. DCAA did not identify several deficiencies in the agreed-upon procedure reports.⁸ The checklist questions and criteria that DCAA used to review the assignments were not sufficiently modified or adapted for agreed-upon procedures reports. DCAA originally drafted its own checklist (DCAA Checklist) by adapting questions from PCIE Appendix E, “Financial Statement Presentation and Disclosure Checklist,” (PCIE Checklist E), and PCIE Appendix F “Checklist for Review of Individual Performance Audits,” (PCIE Checklist F), for use in its internal quality assurance reviews. The PCIE Checklist E and F did not contain any questions for reviewing agreed-upon procedures engagements. In addition, DCAA did not add any questions or criteria specifically for agreed-upon procedures.

Standards Applicable to Agreed-Upon Procedures Assignments. Agreed-upon procedures assignments are attestation engagements⁹ in which the auditor performs specific procedures on subject matter using criteria that have been mutually agreed to by the requester and the auditor. Agreed-upon procedures assignments are not audits; therefore, different standards apply to their performance. GAS covers agreed-upon procedures engagements in the financial related audit section. GAS chapters 4 and 5 dealing with financial related audits incorporate certain American Institute of Certified Public Accountants (AICPA) standards¹⁰ addressing specific types of financial related audits.

⁸ The DCAA agreed-upon procedures reports reviewed were performed under assignment code 17900. DCAA also performs agreed-upon procedures assignments under other assignment codes as well.

⁹ In an attestation engagement, auditors report on subject matter or on an assertion about subject matter that is the responsibility of another party. There are three levels of attestation: an examination, a review, and an agreed-upon procedures.

¹⁰ The AICPA has issued auditing and attestation standards that apply in financial audits. GAS incorporates the AICPA standards unless specially excluded by formal announcement.

Requirements for Performing Agreed-Upon Procedure Assignments. The AICPA standards as incorporated in GAS 4.39 require that an agreed-upon procedures engagement meet certain conditions including:

- The auditor may not agree to perform procedures that are overly subjective and possibly open to varying interpretations.
- The auditor must determine that the subject matter to which the procedures are to be applied can be reasonably measured.
- The auditor may not apply the concept of materiality to any findings unless the definition of materiality has been agreed to.

Agreed-Upon Procedures Reporting Requirements. The AICPA standards as incorporated in GAS 5.36 require that reports on agreed-upon procedures contain several elements including the following:

- a list of the procedures performed and related findings;
- a description of any agreed-upon materiality limits;
- a statement that the auditor was not engaged to and did not conduct an examination or audit of the subject matter, the objective of which would be the expression of an opinion; and
- any reservations or restrictions concerning procedures or findings such as restrictions or limitations on the performance of the agreed-upon procedures.

DCAA Guidance on Agreed-Upon Procedure Engagements. The CAM 10-1000, “Reports on the Application of Agreed-Upon Procedures,” does not address the use of materiality terms in reporting or the necessity for a description of any agreed-upon materiality limits to be included in the report if such terms are used.

The AICPA standards address materiality in reporting the results of an agreed-upon procedures engagement as follows:

The practitioner should report all findings from application of agreed-upon procedures. The concept of materiality does not apply to findings to be reported in an agreed-upon procedure engagement unless the definition of materiality is agreed to by specified parties. Any agreed-upon materiality limits should be described in the practitioner’s report.

In addition to being silent on the use of materiality limits, the guidance in CAM 10-1009, “Results of Applications of Agreed-Upon Procedures,” does not clearly distinguish between reporting the results of findings directly associated with the performance of the agreed-upon procedures and reporting information unrelated to the actual agreed-upon procedures but considered to possibly have an effect on the information related to the results of the agreed-upon procedures.

The guidance in CAM 10-1009 a. “Disclaimer of Opinion,” states that when the application of agreed-upon procedures discloses significant deficiencies such as inadequate cost or pricing data, internal control weaknesses, or significant noncompliances with Federal Acquisition Regulations (FAR) or CAS, the auditor should identify the location in the report that discusses the significant deficiency. The guidance goes on to provide examples of disclaimers of opinion that the

auditor can use when the application of the agreed-upon procedures discloses no significant inadequate information and no noncompliances with FAR or CAS, or discloses significant noncompliances with FAR or CAS. Also, CAM 10-1009 c. “Cost Realism,” directs the auditor to include an exhibit summarizing understated rates or costs when significant rates or costs are found to be underbid during cost realism agreed-upon procedures. The auditor could construe this guidance to mean that in reporting the results of an application of agreed-upon procedures engagement, the materiality of a finding should be considered, only significant findings should be disclosed, or terms of materiality such as significant are acceptable.

In addition, the AICPA provides direction on reporting information that the auditor becomes aware of during the performance of an agreed-upon procedure engagement. The AICPA 2.40, “Knowledge of Matters Outside Agreed-Upon Procedures,” states that information that contradicts the subject matter or written assertions and is brought to the auditor’s attention by means other than the performance of the agreed-upon procedures should be included in the report. For example, when a FAR, CAS noncompliance, or a material internal control weakness exists, the auditor should include this information in the agreed-upon procedures report. In contrast to reporting the results of the agreed-upon procedures, when reporting this additional information, the auditor would consider the materiality or significance of the noncompliance or weakness.

Therefore, DCAA guidance in CAM 10-1009, “Results of Applications of Agreed-Upon Procedures,” needs to be revised to better provide guidance on the difference between reporting the actual results of the agreed-upon procedures and reporting information that is not a result of the performance of the agreed-upon procedures but that may have an impact on decisions made based on the results of the agreed-upon procedure engagement. The current DCAA guidance could confuse the auditor as to when it is acceptable to use terms of materiality in reporting. To comply with the standards for agreed-upon procedures, findings related to the performance of the agreed-upon procedures should be presented fully and objectively without the auditor’s consideration of materiality. However, the auditor would report other information such as internal control weaknesses only when significant or material.

Results of the IG DoD Review of DCAA Agreed-Upon Procedures

Engagement. We reviewed the reports for the nine agreed-upon procedure assignments that DCAA tested. Eight of the reports had reporting deficiencies.

- Five reports either stated or implied an opinion by making statements such as “no material discrepancies were found;” “the review disclosed insignificant errors; therefore, the computation is reasonable;” “we do not consider this a significant noncompliance;” “the contractor’s noncompliance did not result in a significant adverse impact;” and “in our opinion, the amount was insignificant.” Using these terms also imply that the auditor considered the materiality of the findings; however, none of the reports described the agreed-upon materiality limits the auditor used.
- Three reports used the words “audit,” “audit evaluation,” and “audit adjusted,” implying that an audit had been performed.

-
- Two reports, described the procedures used in vague terms such as “other documentation” and “other accounting reports and schedules.”
 - One report listed procedures that did not have measurable criteria, such as “obtain, gather, and request information.”
 - One report did not provide an explanation or include a restriction section for why all procedures listed were not performed.

The identified deficiencies represent significant reporting issues that resulted in GAS noncompliances requiring immediate correction. Therefore, DCAA needs to revise CAM 10-1000 and the related audit guidance to implement the GAS and AICPA standards for reporting on the application of agreed-upon procedures. Additionally, headquarters Quality Assurance Division, should further adapt or modify the DCAA Checklist to properly evaluate agreed-upon procedures assignments for compliance with GAS and the applicable AICPA standards. Otherwise, the DCAA quality control system cannot provide reasonable assurance that DCAA has either adopted and is following applicable auditing standards or has established and is following adequate audit policies and procedures for agreed-upon procedures assignments.

Performing Review of Accounting System Survey Assignments

DCAA did not identify an inconsistency between standard audit program (SAP) guidance for performing accounting system surveys and the set-up instructions for these assignments in the DCAA Audit Planning and Performance System (APPS)¹¹. More specifically, APPS excludes the financial condition risk assessment section of the accounting system survey standard audit program, “Audit Program for Pre-award Surveys and Accounting System Surveys at Nonmajor Contractors” (NMAPSYS), when the section may have been required. We reviewed two accounting system survey assignments that DCAA did not review. We identified the inconsistency during our review of one of those assignments.

Standard Audit Program Guidance for Performing Accounting System Survey Assignments. The preliminary audit guidance states that the section on risk assessment from the SAP on financial capability reviews, “Audit Program for Detailed Financial Condition Risk Assessment and Financial Capability Audit” (APFINCAP), should be used to assess the financial condition of the contractor. Our review of one audit noted that the working papers contained no corresponding

¹¹ The APPS is the electronic working paper software that implements the DCAA policy to prepare working papers in electronic format to the maximum extent possible. It is a Windows-based software application that includes audit programs and audit report shells for the majority of DCAA audits. It also generates templates for standard working paper documentation.

audit steps to address this assessment. In addition, the risk assessment section from APFINCAP was not included in the audit program. The DCAA SAP for accounting system surveys, version 3.11 dated April 2002, states:

If there is prior audit history for this contractor, a financial capability risk assessment should have previously been performed. If the risk assessment is still current (performed within the previous twelve months), it can be used to satisfy this section of the audit program. If the financial capability risk assessment is not current or if one was never performed for this contractor, use the risk assessment section of the APFINCAP audit program to assess risk.

Setting Up an Accounting System Survey Assignment in APPS. When setting up an accounting system survey assignment using APPS Version 4.3.12,¹² APPS prompts the auditor to answer questions about the scope of the review. Based on the answers, APPS includes or excludes sections of the SAP. For financial capability risk assessments, APPS asks the auditor “has a pre-award financial capability review been requested by the contracting officer?” The auditor would answer “no” to this question if there were no request by the contracting officer. When this question is answered “no,” a second question in APPS is generated asking, “do you want to perform a limited scope pre-award or interim contract review anyway?” If the auditor answers “yes,” the program generates the audit steps for performing a financial capability risk assessment. If the auditor answers “no,” the APPS automatically excludes the financial capability risk assessment section of APFINCAP when the working paper package is generated and the auditor is not prompted to perform any further work in this area. CAM 5-202.1, January 2003 edition, states that “when a request for a pre-award survey is not specific as to the type of financial data to be evaluated, contact the requester for clarification and coordination.” For the APPS generated working paper package to be consistent with CAM guidance on conducting an accounting system survey, the auditor should be prompted to contact the contracting officer to determine whether a financial capability risk assessment is required.

DCAA Action to Correct Accounting System Survey Guidance. DCAA headquarters Quality Assurance Division issued interoffice memorandum, “Need for Code 17740 APPS Revision to Increase Field Auditor Compliance with Agency Policy Covering Performance of Financial Capability Risk Assessments,” to the DCAA headquarters Auditing Standards Division on February 14, 2003. The memorandum addresses revising the wording of the APPS prompt to ensure that financial capability risk assessments are performed as part of an accounting system survey when appropriate and in compliance with CAM guidance. In response to the above tasking, the DCAA headquarters Auditing Standards Division issued an interoffice memorandum, “Need for Code 17740 APPS Revision to Increase Field Auditor Compliance with Agency Policy Covering Performance of Financial Capability Risk Assessments,” to the DCAA headquarters Quality Assurance Division on April 14, 2003. The DCAA headquarters Auditing Standards Division stated that the question prompt would be removed from the APPS set up for accounting system survey assignments. In

¹² APPS Version 4.3.12 is the version of APPS that we used to identify the deficiency. This is the same version of APPS that was used by the DCAA auditor to generate their working paper package.

addition, separate audit programs would be developed for pre-award and post-award accounting surveys. The pre-award accounting system survey will include a step for the auditor to contact the requester when a financial capability risk assessment is not requested to determine whether a financial capability risk assessment is required. The APPS revision was fielded in the July 2003 version of APPS.

Summary

The goal of a quality assurance program is to assess whether an organization carries out its work in accordance with GAS and established policies and procedures. The purpose of reviewing a quality assurance program is to determine whether the external reviewer can rely on the reports produced. To accomplish this, the quality assurance program needs to include all significant areas in the scope of their review. This will allow for proper identification and reporting of significant noncompliances and timely implementation of corrective actions. Once the issues discussed above are addressed and appropriate corrective actions are implemented, DCAA should have reasonable assurance that its quality assurance program is operating effectively and that its internal quality control system provides reasonable assurance that DCAA is complying with all applicable standards, policies, and procedures.

Management Comments on the Finding and Oversight Response

Management Comments. DCAA stated that the DCAA Report Quality Checklist has questions covering agreed-upon procedures reporting and is incorporated into the DCAA quality assurance checklist. DCAA stated that the quality assurance checklist questions from the PCIE Guide addressing the GAGAS for audit fieldwork have not been sufficiently modified by either the PCIE or DCAA to cover the performance of agreed-upon procedures.

Oversight Response. We agree that the quality assurance checklist questions on fieldwork need to be modified to address agreed-upon procedures engagements. However, although the DCAA Report Quality Checklist has questions specifically for agreed-upon procedure reports, the questions only address whether specific language in particular paragraphs are in accordance with the DCAA CAM guidance. The questions do not require a comprehensive review of the report to ensure that the intent of agreed-upon procedure reporting guidance and standards are met. Therefore, the report quality checklist was not sufficiently modified to identify noncompliances with GAGAS and DCAA guidance.

Recommendations, Management Comments, and Oversight Response

We recommend that the Director, Defense Contract Audit Agency:

1. Consider risk factors other than percentage of audit workload when selecting what type of audit assignments to review during the next 3-year cycle, especially for “all other” audits.

Management Comments. DCAA concurred in principle with the recommendation. DCAA plans to formally structure and document its identification and treatment of applicable risk factors and coordinate the Quality Assurance review with the IG DoD.

Oversight Response. We accept the proposed corrective actions as meeting the intent of the recommendation.

2. Develop a universe of key Defense Contract Audit Agency requirements and procedures as required by the Defense Contract Audit Agency Contract Audit Manual that impact the administration and planning of Defense Contract Audit Agency assignments.

Management Comments. DCAA concurred.

3. Determine that Field Audit Office managers are able to implement the key administrative and planning processes by using the existing management information system.

Management Comments. DCAA concurred.

4. Revise guidance for reporting on application of agreed-upon procedures to comply with applicable Government Auditing Standards.

Management Comments. DCAA concurred.

5. Revise internal quality assurance checklist questions or criteria to reflect applicable Government Auditing Standards for agreed-upon procedure assignments.

Management Comments. DCAA concurred.

Appendix A. Scope and Methodology

Review of DCAA Quality Assurance Program. An audit organization’s internal quality assurance program is an integral part of its overall management program. We based our review of the DCAA quality assurance program on the GAS relating to quality controls; the General Accounting Office GAO/OP-4.1.6, “An Audit Quality Control System: Essential Elements,” August 1993; the PCIE “Guide for Conducting External Quality Control Reviews of the Audit Operations of Offices of Inspector General,” January 2002; DCAA strategic plan goals and objectives; and DCAA policies and procedures in force from October 1998 through August 2002. We reviewed the status of the DCAA quality assurance program, including improvements and enhancements that DCAA made as a result of IG DoD Report No. D-2002-6-001, “Defense Contract Audit Agency Quality Assurance Program,” December 6, 2001, IG DoD Report No. D-2002-6-007, “Defense Contract Audit Agency Quality Assurance Review of Internal Control System Audits,” August 6, 2002, and IG DoD Report No. D-2003-6-003, “Defense Contract Audit Agency Quality Assurance Review of Incurred Cost Audits,” December 20, 2002. In addition, we reviewed the FY 2001 DCAA quality assurance review of “all other” audits. Specifically, we reviewed the:

- FAO and assignment selection process;
- DCAA documentation files for all of the 17 FAOs visited;
- 17 Memorandums for Record (MFRs); and
- corrective actions that DCAA headquarters, the regions, and Field Detachment had either completed or proposed.

We visited two FAOs (the Tampa Bay Branch Office in Florida and the Antelope Valley Branch Office in California) to both retest assignments that DCAA reviewed and review additional assignments that DCAA did not review to test its work and conclusions. We also reviewed assignments at one FAO that DCAA did not review (the Baltimore Branch Office in Maryland) to determine whether the systemic noncompliances DCAA identified existed at FAOs that DCAA did not review. In addition, we determined whether other systemic issues existed that DCAA did not identify in the internal quality assurance review. We discussed the quality assurance review process and the results of our review with DCAA officials to help us determine how much we could rely on the process when conducting our oversight review. Further, we reviewed briefing charts summarizing review results that the DCAA headquarters Quality Assurance Division presented to the ESC and meeting minutes and action items that resulted from ESC meetings and decisions relating to the DCAA quality assurance program and the quality assurance review of “all other” audits. We conducted this oversight review from August 2002 through September 2003 in accordance with IG DoD standards.

IG DoD Oversight of DCAA. Under section 8(c)(6), title 5, United States Code, Appendix 3, the Inspector General Act of 1978, as amended, the IG DoD is responsible for monitoring and evaluating adherence of DoD auditors to internal

audit, contract audit, and internal review principles, policies, and procedures. The office within the IG DoD responsible for conducting independent oversight reviews of DCAA is the Office of the Deputy Inspector General for Inspections and Policy, Assistant Inspector General for Audit Policy and Oversight. As part of that responsibility, Audit Policy and Oversight evaluates the quality assurance reviews that the DCAA headquarters Quality Assurance Division and the Regional Quality Assurance Divisions (RQAs) perform. Audit Policy and Oversight uses the PCIE Guide as a tool when conducting oversight reviews of the quality assurance reviews.

Evaluation of Results of the FY 2001 Quality Assurance Review of “All Other” Audits. To evaluate the status of the DCAA quality assurance program, we reviewed DCAA policies and procedures and interviewed DCAA headquarters quality assurance staff to determine the procedures established to conduct quality assurance reviews as well as the improvements and enhancements DCAA implemented as a result of IG DoD Report No. D-2002-6-001, IG DoD Report No. D-2002-6-007, and IG DoD Report No. D-2003-6-003. To evaluate the results of the FY 2001 quality assurance review of “all other” audits, we reviewed the:

- ESC briefing charts and meeting minutes;
- MFRs;
- completed DCAA Checklists;
- documentation supporting significant deficiencies that DCAA found; and
- corrective actions DCAA completed or proposed.

We reviewed a total of 25 assignments. We retested 6 assignments and reviewed 11 assignments that DCAA did not review at 2 FAOs that DCAA visited. In addition, we visited one FAO that DCAA did not visit during the quality assurance review of “all other” audits and reviewed eight additional assignments.

Use of Computer-Processed Data. We relied on computer-processed data from the DCAA Management Information System (DMIS). Specifically, we used information from the “Analysis of World” report for FY 2002* as an aid in our selection of FAOs to visit and assignments to review. In addition, DCAA provided data from the DMIS summarizing the hours expended completing the assignments, dollars examined, and questioned costs. We did not perform tests of system general and application controls to confirm the reliability of the data because errors would not have significantly affected our selection of FAOs or assignments. Therefore, not evaluating the controls did not affect the results of the review.

* The “Analysis of the World” report for FY 2002 was as of September 5, 2002.

Prior Coverage

During the last 5 years, the Inspector General of the Department of Defense (IG DoD) has issued five reports discussing the DCAA Quality Assurance Program. Unrestricted IG DoD reports can be accessed at <http://www.dodig.osd.mil/audit/reports>.

IG DoD

IG DoD Report No. D-2003-6-003, "Defense Contract Audit Agency Quality Assurance Review of Incurred Cost Audits," December 20, 2002

IG DoD Report No. D-2002-6-007, "Defense Contract Audit Agency Quality Assurance Review of Internal Control System Audits," August 6, 2002

IG DoD Report No. D-2002-6-005, "Defense Contract Audit Agency Regional Quality Assurance Review of the Incurred Cost Sampling Initiative," April 16, 2002

IG DoD Report No. D-2002-6-001, "Defense Contract Audit Agency Quality Assurance Program," December 6, 2001

IG DoD Report No. D-2000-6-010, "External Quality Control Review of the Defense Contract Audit Agency," September 27, 2000

Appendix B. Structure of DCAA Quality Assurance Program and Quality Control System

Policies on Quality Control Systems and Quality Assurance Reviews

GAS. The GAS are standards for audits that are performed on Government organizations, programs, activities, and functions. The standards also apply to audits of Government assistance that contractors, nonprofit organizations, and other non-Government organizations receive. GAS 3.31 requires that, “Each audit organization conducting audits in accordance with these standards should have an appropriate internal quality control system in place.” In addition, GAS requires that an organization’s internal quality control system provides reasonable assurance that the organization has adopted and follows applicable auditing standards and has established and follows adequate audit policies and procedures. GAS states that the nature and extent of an organization’s internal quality control system depends on factors such as size, the degree of operating autonomy among offices and personnel, the nature of the work, organizational structure, and appropriate cost/benefit considerations. Therefore, the internal quality control systems that organizations establish will vary, as will the extent of the documentation.

PCIE Guide. The PCIE Guide reiterates the guidance in GAS and provides additional guidance on the internal quality control system as well as guidance for conducting quality assurance reviews. The PCIE Guide states that an organization’s internal quality control policies and procedures encompass, at a minimum, the elements of staff qualifications, independence, audit performance, and internal review. In addition, the PCIE Guide outlines the characteristics of a quality assurance review. Also, the PCIE Guide includes a “Checklist for Assessment of Internal Quality Assurance Program [PCIE Appendix C],” which can be used as a tool to evaluate an organization’s quality assurance program.

General Accounting Office Guide. The GAO/OP-4.1.6, “An Audit Quality Control System: Essential Elements” (General Accounting Office Guide), August 1993, provides guidance that Federal organizations can use to design or improve their internal quality control systems. The General Accounting Office Guide states that a quality control system should define principles, policies, and procedures that will achieve the consistent quality of work an organization expects. In addition, an appropriate quality control system identifies those factors that could jeopardize the quality of an audit and establishes processes or procedures that promptly identify and correct problems before they occur.

DCAA Internal Quality Control System

The DCAA internal quality control system is implemented at all levels of the organization and is multifunctional, covering elements of vulnerability assessment, internal control review, external audit followup,^{B-1} audit quality review, and management improvement efforts. As of September 30, 2002, DCAA is organizationally divided into a headquarters, 5 regions, Field Detachment, and 79 FAOs. DCAA considers all organizational layers to be part of its internal quality control system.

DCAA-Wide Quality Control System. The DCAA-wide quality control system is defined in the CAM and in DCAA regulations and instructions. DCAA-wide quality controls include use of standard audit programs, standard audit report formats, and standard checklists for reviewing audit reports; fact-finding visits by DCAA headquarters program managers who use tools such as centrally directed surveys and internal checklists; headquarters desk reviews; onsite reviews of internal systems by DCAA specialists such as industrial engineers; and reviews by peers outside the organization being reviewed. In addition, the DCAA quality assurance program is an integral part of the quality control system.

Regional and Field Detachment Quality Control Systems. Regional quality control systems implemented by the regional directors and managed by the RQAs, including the Field Detachment Quality Assurance Division, are an integral part of the DCAA-wide quality control system. Regional policies and procedures set forth quality controls that include delegation of authority; separation of duties; accountability of resources; recording, documenting, and resolving audit findings; pre-issuance reviews of sensitive or significant audit reports by regional audit managers; post-audit quality reviews by the regional audit manager; and monthly post-issuance review of audit reports. The RQAs also perform compliance reviews as requested by regional directors.

FAO Quality Control System. Within each region, DCAA has between 10 and 16 FAOs. The FAOs are responsible for implementing a sound quality control system based on headquarters and regional guidance. Peer review processes are an integral part of the FAO-level quality control system. FAO quality controls include mandatory pre-issuance review of audits by supervisory auditors and pre-issuance reviews of sensitive or significant audits by FAO managers. The results of peer reviews are used to identify process improvements within FAOs and are forwarded to the region and headquarters for identifying trends throughout DCAA. FAOs may institute other quality control procedures, such as participatory work teams and pre-issuance review of audit reports.

DCAA Quality Assurance Program

MRD 98-P-147(R), "Establishment of Quality Assurance Division," October 23, 1998, established a Quality Assurance Division at DCAA headquarters and in

^{B-1} External audit followup includes following up on findings and recommendations in GAO and IG DoD reports.

each of the five regions and Field Detachment. The headquarters, regional, and Field Detachment Quality Assurance Divisions are responsible for developing and executing an agency-wide program to provide reasonable assurance that DCAA has adopted and follows applicable auditing standards and has established and follows adequate auditing policies and procedures. Additional functions include assessing the need for new or revised guidance, supporting external quality control reviews, accompanying external auditors on field visits, serving on process action teams, assisting in responding to inquiries, and identifying “best-in-class” processes for use throughout DCAA.

Executive Steering Committee. The ESC is responsible for providing overall management and direction for the DCAA total quality management program. In addition, the ESC is responsible for establishing the DCAA vision and strategic goals; identifying quality improvement projects; evaluating quality improvement projects suggested by others; approving or disapproving DCAA-wide process action teams; and maintaining active communication and coordination with the quality management boards regarding their process action team activities and recommendations. Committee members include the Director, Deputy Director, assistant directors of the headquarters components, directors of the five regions and Field Detachment, and General Counsel. The ESC meets quarterly and is briefed on issues such as the strategic plan, advanced degrees and certifications, procurement plans, and the DCAA quality assurance program. If necessary, the ESC establishes action items for tasks to be completed or information to be provided. The Executive Officer maintains a list of action items for the Director, DCAA.

Headquarters Quality Assurance Division. The DCAA headquarters Quality Assurance Division performs formal quality assurance reviews based on the PCIE Guide and other quality assurance-related reviews throughout DCAA. When conducting the reviews, the Quality Assurance Division assesses compliance with applicable auditing standards and audit policies and procedures, the need for enhanced or new audit policy guidance, and best practices for use throughout the agency.

Regional Quality Assurance Divisions. The RQAs, including Field Detachment, assist the DCAA headquarters Quality Assurance Division in performing quality assurance reviews and other quality assurance projects throughout the agency. At the direction of respective regional directors, the RQAs also perform regional quality assurance reviews and projects to assess compliance with applicable policies and procedures, the need for enhanced or new audit guidance, and best practices for regional use. In addition, the RQAs perform special reviews as required by the regional directors. When performing regional quality assurance reviews and special reviews, the RQA chiefs report directly to the directors of their respective regions. When performing agency-wide reviews under the direction of the headquarters Quality Assurance Division, the RQA staff assigned to the review report indirectly to the chief of the headquarters Quality Assurance Division.

DCAA Quality Assurance Reviews. Beginning in FY 1999, DCAA established a 3-year cycle for conducting quality assurance reviews. DCAA determined that its workload fell into four major categories—forward pricing assignments, internal control reviews, incurred cost audits, and all other audits. DCAA decided

to conduct separate quality assurance reviews for each of the major audit categories. In addition, DCAA conducted a quality assurance review of auditor independence and qualifications. DCAA completed all four reviews and briefed the ESC on the last one in June 2002.

Status of the DCAA Quality Assurance Program Review Process

The PCIE Guide describes the characteristics that an organization's quality assurance program should integrate into any review of its quality control system. Those characteristics include formal quality assurance review procedures, adequate staffing, independence, sufficient evidence, thorough scope of review, written results, written responses, and an effective followup process. In IG DoD Report No. D-2002-6-001, we initially discussed the DCAA implementation of the characteristics during the DCAA quality assurance review of forward pricing assignments. In our successive reports on the DCAA Quality Assurance Program, we reassessed the status of the characteristics.

Formal Quality Assurance Review Procedures. Organizations conducting internal quality assurance reviews should have formal policies and procedures. DCAA completed five internal quality assurance reviews without preparing formal policies and procedures for conducting the reviews. DCAA should have had formal policies and procedures so that an external reviewer could evaluate the adequacy of the policies and procedures as part of the overall oversight review of the DCAA quality assurance program. DCAA issued DCAA Instruction No. 7640.20, "DCAA Audit Quality Assurance Program," on December 19, 2002. We did not verify implementation of these policies and procedures because they were issued after DCAA completed their quality assurance review of "all other" audits. Not reviewing these policies and procedures would not have an adverse affect on the results of our evaluation.

Staffing. The PCIE Guide recommends that review teams be led by a senior manager and that the reviewers have an appropriate level of experience. IG DoD Report No. D-2002-6-001 states that DCAA had appropriately staffed its headquarters and regional quality assurance divisions. However, DCAA established the headquarters Quality Assurance Division primarily to develop and execute an agency-wide quality assurance program. DCAA subsequently added responsibilities, such as providing assistance in preparing the DCAA FY 2000 financial statements. To ensure that the quality assurance program reviews are accomplished during each 3-year cycle, DCAA agreed to continue to monitor the work assigned to the headquarters Quality Assurance Division. DCAA met their June 2002 goal for completing their first 3-year cycle of quality assurance reviews.

Independent Review. The PCIE Guide recommends that the review team leader report to an individual or a level within the organization that will ensure independence and objectivity of the performance of quality assurance reviews. However, when DCAA established the process for assigning auditors to the quality assurance reviews, DCAA decided that the Field Detachment Quality Assurance Division would conduct the quality assurance review of Field

Detachment audits. DCAA decided not to independently assess Field Detachment based on workload, security considerations, and the fact that DCAA considers the Field Detachment Quality Assurance Division independent because it is separate from Field Detachment audit operations. However, the Field Detachment quality assurance staff is located at Field Detachment FAOs throughout the continental United States. The quality assurance staff is not physically separate from Field Detachment audit operations. In response to IG DoD Report No. D-2002-6-001, DCAA modified the quality assurance review process by requiring the Deputy Director, DCAA to select Field Detachment FAOs for review, to review and sign draft and final MFRs, and to review working papers if necessary. During its headquarters-led quality assurance review of “all other” audits, DCAA fully implemented this process.

Evidence. The PCIE Guide recommends that competent evidence be gathered and, where applicable, sufficiently tested to determine whether the organization is in compliance with applicable auditing standards, policies, and procedures. DCAA developed an understandable and methodical process for selecting which FAOs and “all other” audit assignments to review. DCAA selected FAOs that had not previously been visited under the reviews of forward pricing, internal control, and incurred cost audit assignments. However, except for Field Detachment, DCAA did not include progress payments in the universe of assignments that could be selected for review and did not review either the cycling of financial condition risk assessments nor the selection process for post-award reviews. See the Finding for the details of insufficient consideration by DCAA of the risks associated with progress payments, cycling of financial condition risk assessments, and selection process for post-award reviews. DCAA documented the results of the quality assurance review of “all other” audits by completing a DCAA Checklist and Supplemental Checklist for each of the 121 “all other” audit assignments reviewed, preparing exit conference notes, and writing an MFR summarizing the results of the review for each of the 17 FAOs visited.

Documentation Supporting the DCAA Checklists. During our evaluation of the DCAA quality assurance review of forward pricing assignments, IG DoD Report No. D-2002-6-001, we determined that for only 6 out of the 21 (29 percent) DCAA Checklists that we retested, the DCAA quality assurance reviewers had adequately cross-referenced to applicable FAO working papers or provided appropriate notes in the comment column. In response to that report, DCAA modified several questions on the DCAA Checklist^{B-2} used during the quality assurance review of “all other” audits. We reviewed the checklists prepared at two pilot sites for the review of “all other” audits during our evaluation of the DCAA quality assurance review of incurred cost audits. In IG DoD Report No. D-2003-6-003, we reported that DCAA was providing more detailed documentation for each checklist answer. During the current review, we determined that six out of the six (100 percent) DCAA Checklists that we retested provided adequate narrative or FAO working paper references for the checklist answers. DCAA Checklist documentation has improved to a point where an external reviewer can understand the rationale behind the quality assurance reviewers’ answers.

^{B-2} DCAA makes changes to the DCAA Checklist needed.

Cross-Referencing the Quality Assurance Review Reports. The DCAA quality assurance staff has continued to improve the cross-referencing of the MFRs to the supporting quality assurance documentation. DCAA wrote an MFR for each of the 17 FAOs reviewed. The MFRs summarize the major findings of the quality assurance reviews at the FAOs and include an enclosure that summarizes the DCAA Checklist answers by reviewed assignment. Each MFR identifies the “all other” audit discussed and the DCAA Checklist question identifying the noncompliance. Because of the changes that DCAA made to the DCAA Checklist questions and because the DCAA reviewers are providing explanations and working paper references as support for answers, we have a clear audit trail from the MFRs to the DCAA Checklist answers to the auditor working papers.

Written Results. The PCIE Guide recommends that written results be prepared for each review that includes recommendations for corrective actions when applicable. DCAA prepared MFRs that summarized the results of the review at each FAO and provided the MFRs to the FAO manager and the regional director. The MFRs also functioned as the summary working paper. DCAA summarizes the results of the review and the proposed corrective actions and briefs the ESC. DCAA considered the ESC briefing to be its final report. DCAA implemented that approach in an acceptable manner for the first two headquarters-led quality assurance reviews (forward pricing and internal control reviews). However, IG DoD Report No. D-2003-6-003, identified deficiencies in the process. Specifically, DCAA prepared the final report to the ESC before completing the summary working papers (MFRs). As a result, the final report did not adequately summarize the final results of the review. DCAA determined that the appropriate corrective action was to designate the briefing provided to the IG DoD or any other external organization as the final report. In addition, DCAA has agreed that if the results presented to the ESC are substantially different from the results presented to the IG DoD in the final report, then DCAA will provide a revised briefing to the ESC. DCAA completed the quality assurance review of “all other” audits and briefed the ESC in June 2002. All MFRs were issued prior to the IG DoD briefing. The revised approach met the intent of the characteristic outlined in the PCIE Guide. However, DCAA could enhance its program by issuing a formal, written summary report for each quality assurance review performed.

Written Response. The PCIE Guide recommends that written responses be provided on each recommendation, which should include proposed corrective actions or corrective actions already taken. Each FAO that DCAA reviewed provided written responses to draft trip reports, which DCAA considered and included in final trip reports. Agreement on what deficiencies need to be addressed is the first step toward improving audit performance. That approach incorporates the characteristic outlined in the PCIE Guide. DCAA used that approach for all the headquarters-led quality assurance reviews during the first cycle.

Followup Procedures. The PCIE Guide recommends that procedures be established for resolution and followup of recommended corrective action. A good followup system should provide information on what improvements were made as a result of the work and whether the improvements achieved the desired result. Determining actions that were taken on recommendations requires active

monitoring of the status of recommendations. DCAA has two separate followup processes for monitoring the status of actions taken as a result of issues found during the headquarters-led quality assurance reviews. If the ESC adopts a corrective action and assigns the action to a headquarters element, that component is responsible for followup. The ESC and the headquarters Quality Assurance Division are responsible for monitoring the followup. If the ESC adopts a corrective action and assigns it to the regions for implementation or followup, DCAA relies on the regional directors to independently ensure that corrective action is taken. The headquarters Quality Assurance Division performs no additional followup action until the next quality assurance review of the same type audit unless otherwise specifically directed by DCAA management. However, for the quality assurance reviews of incurred cost audits and “all other” audits, the ESC is requiring the regions to independently follow up on each others corrective action to ensure that the proposed corrective actions were implemented. For Field Detachment FAOs rated “less than high,” the Deputy Director, DCAA was to oversee and approve the followup reviews. That approach was implemented on both quality assurance reviews.

Scope of Headquarters-Led Quality Assurance Reviews. We raised concerns in IG DoD Report No. D-2002-6-001 about the scope of the DCAA headquarters-led quality assurance reviews related to the review of FAOs, assessment of due professional care, review of qualifications and independence, and assessment of the DCAA quality control system. DCAA took corrective action to improve the characteristics.

Review of FAOs. All of the FAOs issue audit reports; however, DCAA never planned to ensure the review of every FAO in a given three-year cycle or planned to include the two overseas FAOs^{B-3} in the headquarters-led quality assurance reviews. DCAA notified us on March 30, 2001, that they would begin to include both of the overseas FAOs in the universe of offices to be potentially selected for future reviews. DCAA stated that, under the DCAA methodology for conducting the PCIE-based reviews and given the DCAA revised position relating to the two overseas offices, every FAO will likely be covered during the first and subsequent review cycles. DCAA included the European Branch Office in the internal quality assurance review of all other assignments. In addition, DCAA Western Region Quality Assurance Division performed a desk review of financial capability audits at the Pacific Branch Office.

Assessment of Due Professional Care. The question on the DCAA Checklist that DCAA used for the internal quality assurance reviews of forward pricing assignments and internal control system audits did not adequately address compliance with due professional care. DCAA took corrective action by modifying the March 12, 2001, version of the DCAA Checklist used during the internal quality assurance review of incurred cost audits to include the question, “Did the auditors exercise due professional care in performing the audit?” to be used to assess compliance with due professional care.

^{B-3} The European Branch Office is in Germany with suboffices in Saudi Arabia and Israel. The Pacific Branch Office is in Japan with suboffices in Hawaii and Korea.

Qualifications and Independence. The quality assurance review process that DCAA initially developed included plans to review compliance with the general standards of qualifications and independence. The plans did not include testing at the FAO level. Subsequent to the start of the 3-year cycle, DCAA decided to postpone its review of qualifications—specifically continuing professional education—until FY 2002 because DCAA was in the process of revising guidance on continuing professional education requirements. DCAA completed the review of qualifications and independence and in June 2002 briefed the ESC.

DCAA Quality Control System. The DCAA quality assurance reviews of forward pricing assignments and internal control system audits did not fully consider regional and FAO quality control policies and procedures. To fully assess the adequacy of the DCAA quality control system as described in the CAM, DCAA should have tested compliance with policies and procedures issued by the regions and the FAOs in addition to DCAA-wide policies and procedures. However, when completing the DCAA Checklist, the reviewers did not indicate that they considered anything other than DCAA-wide quality control policies and procedures. DCAA took corrective action by adding the question, “Were the quality control procedures, forms, and checklists required by Regional/FAO policy appropriately completed/complied with?” to the January 2001 version of the DCAA Checklist. DCAA used the January 2001 version to perform the quality assurance reviews of incurred cost audits and “all other” audits, the third and fourth types of audits that DCAA is including in the quality assurance reviews.

Appendix C. “All Other” Assignment Codes and Descriptions

“All Other” Assignment Codes and Descriptions. The table below shows all of the assignment descriptions and corresponding codes that DCAA has included in the “all other” category. These codes are assigned in DMIS to track assignment types.

<u>Assignment Description</u>	<u>5 Digit Code</u>
Operations Audits – Management Systems	10501*
Operations Audits – Labor Systems	10502*
Operations Audits – Material Systems	10503*
Operations Audits – Follow-up	10601*
Electronic Data Processing Billing Algorithm	11530
Electronic Data Processing Lease vs. Buy	11540
Electronic Data Processing Other	11590
Other Material Audits	12980
Labor Cost Charging	13500
Other Labor Audits	13980
Joint Contractor Insurance/Pension Review	14410
Final Price Submissions	15300
Contract Audit Closing Statements	15400
Provisional Billing Rates	15500
Limitation of Payments	15600
Terminations	17100*
Other Claims	17200*
Progress Payments	17500
Financial Capability	17600*

Pre-award Accounting Survey	17740*
Cost/Schedule Control System Criteria	17750
Government Facility Rental Payments	17800
Contract Funds Status Reporting	17850
Other Contract Reports	17860
Other Requested Special Audits	17900*
CAS Disclosure Statements	19100
CAS Noncompliances	19200*
CAS Compliance	19400*
CAS Compliance Audits	19403-19420
Cost Impact Proposals	19500*
Flash Reporting – Estimating	24020
Estimating System Follow-up	24090
Specific Cost/Rate Information	25000
Other System Surveys	26000
Post-award Audit	42000*

*Audit codes included in DCAA Quality Assurance Review of “All Other” Audits.

Appendix D. Results of DCAA Quality Assurance Review of “All Other” Audits

Significant Noncompliances. The DCAA quality assurance review of “all other” audits identified significant noncompliances with GAS for which DCAA has either implemented or initiated corrective action. In the briefing presented to the June 2002 ESC, DCAA discussed significant noncompliances related to the following GAS standards.

Due Professional Care. Auditors on 10 (8 percent) of the 121 audits did not meet the due professional care standard.

Quality Controls. Auditors on 24 (20 percent) of the 121 audits did not appropriately complete key procedures and forms.

Planning. Auditors on 16 (13 percent) of the 121 audits did not coordinate with report users to document their needs.

Supervision. On 52 (43 percent) of the 121 audits, supervisory involvement was not appropriate and timely to provide for adequate planning, for supervisors to be kept informed of significant problems, to ensure that the work was adequately performed in accordance with the audit program, and that the working papers supported the conclusions in the audit report. In addition, on 35 (29%) of the 121 audits, supervision was not documented in accordance with agency policy.

Evidence and Working Paper Documentation. Auditors on 50 (41 percent) of the 121 audits did not adequately document the work performed in the working papers. In addition, auditors on 24 (20%) of the 121 audits did not appropriately obtain and document evidence about the reliability of computer-based data.

Compliance with Laws and Regulations. Auditors on 64 (53 percent) of the 121 audits did not assess the risk that noncompliances or illegal acts significant to the audit objective could have occurred.

Reporting. The reports for 15 (12 percent) of the 121 audits did not present information in a manner that was accurate, fair, complete, convincing, objective, and clear. The reports for 10 (8 percent) of the 121 audits were not distributed timely for use by appropriate officials. In addition, the reports for 9 (7%) of the 121 audits were not signed by an authorized individual.

In conducting our retesting of assignments reviewed by DCAA and testing of additional assignments not reviewed by DCAA, we reached the same general conclusions that DCAA reached when they performed the quality assurance review. Our concern about how DCAA performed the review of agreed-upon procedures and accounting system survey assignments would impact the nature of the significant noncompliances DCAA identified and the IG DoD confirmed. See Finding for information.

Factors Contributing to the Significant Noncompliances. DCAA determined that a number of factors contributed to the occurrence of the significant noncompliances. The factors included:

- inappropriate use of APPS and SAPs;
- modification of working papers after audit report issuance;
- no evident or documented connection between risk assessment and scope of audit work;
- incorrect risk assessments;
- supervisors not approving, completing and signing off on working papers per CAM and APPS guidelines;
- inadequate working paper documentation and cross-referencing;
- no requirement in CAM, SAP, or APPS guidance for the auditor to obtain and document evidence about the reliability of computer-processed data; and
- audit step in all SAPs prompting the auditor to document consideration of fraud risk.

The factors contributing to the significant noncompliance are related primarily to either auditors not following DCAA policies and procedures or to inadequate DCAA policies and procedures.

Corrective Actions. DCAA headquarters, the regions, Field Detachment, and FAOs implemented or initiated corrective action to prevent the occurrence of the significant noncompliances in future audits.

DCAA Headquarters. DCAA headquarters has issued or revised guidance to address the significant noncompliances identified. The following actions have been taken:

- issuance of new CAM guidance on completing and amending working papers;
- development of a tailored risk assessment working paper section in APPS which was demonstrated to IG DoD on August 8, 2002;
- establishment of a strategic plan objective to develop and implement incentive program designed to motivate, recognize, and reward excellence in supervision;
- implementation of agency-wide use of the working paper checklist;
- addition of a step in the audit programs that prompts the auditor specifically to obtain and document evidence on the reliability of computer processed data at non-major contractors;

-
- incorporation of a step prompting fraud risk consideration in all the applicable SAPs that did not already have the step; and
 - further revision and enhancement of the risk assessment working paper section to facilitate documentation.

Regions and Field Detachment. The regions and Field Detachment distributed the systemic findings and guidance reminders. In addition, the regions and Field Detachment conducted training detailing the significant noncompliances and what auditors could do to prevent recurrence in the future.

FAOs. Each FAO was required to implement corrective actions to resolve the significant noncompliances that the DCAA reviewers found at the FAO. The regions are required to verify that the FAOs took corrective action and that the corrective action resolved the significant noncompliances. DCAA is requiring the regions to prepare close out reports on the implementation of corrective actions at the FAOs within 60 days of completion or verification of the last corrective action. The regions expect to complete the close out reports between June 30, and October 31, 2003.

Timely implementation of corrective actions and assessing whether the corrective action resolved the significant noncompliances should help ensure that the DCAA quality assurance program is effective.

Appendix E. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer

Other Defense Organization

Director, Defense Contract Audit Agency

Defense Contract Audit Agency (Policy and Plans) Comments

Final Report
Reference



DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

IN REPLY REFER TO

PQA 225.4[D2002-OA-0199]

September 29, 2003

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDIT POLICY AND
OVERSIGHT, OFFICE OF THE INSPECTOR GENERAL,
DEPARTMENT OF DEFENSE

SUBJECT: Response to Draft DoDIG Report on DCAA Quality Assurance (QA) Review of
"All Other" Audits (Project No. D-2002-OA-0199)

Thank you for the opportunity to comment on the subject draft report and the results of the evaluation reported therein. The overall objective of the evaluation, as stated on page 2, "was to review the status of the DCAA quality assurance program and to assess how DCAA performed the quality assurance review of 'all other' audits." Provided below are comments clarifying certain statements and findings in the report. Following these comments are DCAA's responses to the five recommendations in the report.

I. Clarifying Comments

a. **DoDIG in the Executive Summary "Results" Paragraph** (immediately follows transmittal memorandum).

Results. The DCAA quality assurance review of "all other" audit assignments did not include all significant audit areas and did not identify some policy issues. Specifically, when planning the quality assurance review of "all other" audits, DCAA did not include progress payment audits in the scope of the review for five of the six regions. DCAA also did not include in their review the cycling of financial condition risk assessments nor the selection process for post-award audits. In addition, DCAA did not adequately review agreed-upon procedures assignments, and did not identify an inadequacy in its accounting system survey guidance. As a result, DCAA did not identify significant noncompliances and, therefore, could not initiate corrective actions to ensure proper cycling of financial capability reviews, selecting post-award audits, proper reporting of agreed-upon procedures assignments, and adequate performing of accounting system survey assignments.

DCAA Comment. The summary paragraph above, repeated at the top of report page 3, does not define what a "significant noncompliance" is nor provide any reference to its definition. Consequently, as the paragraph currently reads, we believe that someone unfamiliar with the IG review could mistakenly draw the conclusion that the significant noncompliances identified by the

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IG (but not by DCAA's QA review) involved DCAA's (1) progress payments audits, (2) cycling of financial condition risk assessments, (3) selection process for postaward audits, (4) the reporting on agreed-upon procedures reviews, and (5) accounting system survey guidance.

As generally used by both the IG and DCAA, the term "significant noncompliance" means a noncompliance with the Generally Accepted Government Auditing Standards (GAGAS) and/or DCAA audit policy that requires some level of DCAA Headquarters involvement to correct as a result of its singular significance or systemic nature. With respect to the individual areas of findings summarized by the IG, we believe that data gathered by the IG supports only one of the areas—the reporting for agreed upon-procedures reviews—as representing a significant noncompliance. While it is true that DCAA's QA review did not include progress payment audits, the exclusion was purposeful, documented, and based on the relative insignificance of the audit area. Further, to the best of our knowledge, the IG had no significant findings of noncompliance in the progress payment audit area. The QA review also did not cover the cycling of financial condition risk assessments, and to its credit, the IG observed a weakness in DCAA's policy covering the audit area—but not a significant GAGAS or policy noncompliance. A weakness in DCAA policy was similarly observed by the IG relating to DCAA's accounting system survey guidance. Lastly, DCAA's QA organization brought to the IG's attention the one instance that we are aware of where the IG took exception to DCAA's selection process for postaward audits. Concurrently, the cognizant DCAA Regional Director was also made aware of the matter. Although a noncompliance, the matter did not represent a systemic problem nor was it significant enough, in our opinion, to warrant further Headquarters involvement or follow-up.

We believe that this designation of significant noncompliances needs to be clarified in the report.

b. DoDIG at the end of the "Background" Paragraph (page 2 of the report).

Results of DCAA Quality Assurance Review of "All Other" Audits and Inspector General of the Department of Defense Retesting. The DCAA quality assurance review of "all other" audits identified significant noncompliances with GAS for which DCAA has either implemented or initiated corrective action. Specifically, DCAA identified issues related to due professional care, planning, supervision, evidence, compliance with laws and regulations, and reporting. We conducted reviews of assignments that DCAA did not review at three Field Audit Offices (FAOs) and performed retesting at two of those FAOs. We concluded that the same type of systemic noncompliances did exist and that the DCAA results were valid. (*Highlights added by DCAA for emphasis.*) Resolving the issues that DCAA identified is important to ensure that quality audits are performed in accordance with GAS and that quality audit reports are issued. See Appendix D for a discussion of the significant noncompliances and the corrective actions that DCAA implemented or initiated.

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DCAA Comment. To assure that the executive readers of the IG report receive an accurate and balanced account of the IG review results, we believe that a sentence or two summarizing the above reported findings should have also been included in the "Results" paragraph of the "Executive Summary." Considering the review objective (i.e., to assess how DCAA performed its QA review of "all other" audits), the highlighted concluding statement above seems particularly relevant to the overall results.

c. DoDIG (page 8 of the report).

Performing the Review of Agreed-Upon Procedures Assignments. DCAA did not identify several deficiencies in the agreed-upon procedure reports (*footnote excluded*). The checklist questions and criteria that DCAA used to review the assignments were not sufficiently modified or adapted for agreed-upon procedures reports. DCAA originally drafted its own checklist (DCAA Checklist), by adapting questions from PCIE Appendix E, "Financial Statement Presentation and Disclosure Checklist," (PCIE Checklist E), and PCIE Appendix F "Checklist for Review of Individual Performance Audits," (PCIE Checklist F), for use in its internal quality assurance reviews. The PCIE Checklist E and F did not contain any questions for reviewing agreed-upon procedures engagements. In addition, DCAA did not add any questions or criteria specifically for agreed-upon procedures.

DCAA Comment. The checklist used by DCAA's QA reviewers, while adapted from the PCIE External Review Guide, also incorporates all of the questions from DCAA's Report Quality Checklist. These reporting questions cover agreed-upon procedures reports. It is primarily the questions from the PCIE Guide addressing the GAGAS for audit fieldwork that have not yet been sufficiently modified by either the PCIE or DCAA to cover the performance of agreed-upon procedures.

II. DCAA Response to DoDIG Recommendations on Page 13 of the Draft Report

1. DoDIG. Consider risk factors other than percentage of audit workload when selecting what type of audit assignments to review during the next 3-year cycle, especially for "all other" audits.

DCAA. Concur in principle. From May 1999 through April 2002, DCAA's quality assurance organization performed 4 separate rounds of PCIE-based QA reviews covering 78 of its 82 field audit offices and 426 diverse audits. The planning for each review involved the consideration of multiple risk factors other than percentage of audit workload, and the planning was informally coordinated with the DoDIG. It is evident to us now that the "all other" round of QA reviews did not cover each risk factor that the IG believes should have been covered. For the future, to better assure that risk factors identified by the IG are fairly considered in the review

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planning process, DCAA's QA organization will more *formally* structure and document (i) its identification and treatment of applicable risk factors (see related response to recommendation 3 below) and (ii) its coordination of the QA review planning with the DoDIG.

2. DoDIG. Develop a universe of key Defense Contract Audit Agency requirements and procedures as required by the Defense Contract Audit Agency Contract Audit Manual that impact the administration and planning of Defense Contract Audit Agency assignments.

DCAA. Concur. DCAA's QA organization, in time for the planning of the next round of PCIE-based reviews, will develop a master listing of the key audit-related requirements that DCAA's field audit offices need to consider in planning and administering their audit assignments. A draft of the listing will be provided to the IG for comment by October 24, 2003.

3. DoDIG. Determine that Field Audit Office managers are able to implement the key administrative and planning processes by using the existing management information system.

DCAA. Concur. DCAA's QA organization, during the course of performing each of its next four rounds of PCIE-based reviews, will (1) identify the key audit-related, planning, and administrative requirements/processes applicable to the audit types being reviewed (see related response to recommendation 2 above); (2) judgmentally select the requirements/processes to be included and evaluated in each PCIE-based review round and document the selection process; (3) identify and document any barriers and problems that field audit offices may be experiencing in implementing the requirements/processes; (4) compile and analyze the results of reviewing the key requirements/processes; (5) develop appropriate recommendations addressing the significant barriers/problems identified during the review; (6) timely report the review results and recommendations to DCAA's Executive Steering Committee (ESC); and (7) assist in and/or monitor DCAA's implementation of the policy changes/corrective actions approved by the ESC to address the significant barriers/problems.

4. DoDIG. Revise guidance for reporting on application of agreed-upon procedures to comply with applicable Government Auditing Standards.

DCAA. Concur. We will review DCAA's applicable APPS working papers and CAM guidance (e.g., Chapter 10-1000) and make changes, as appropriate, to address the type of noncompliances identified in FY 2003 by the DoDIG and DCAA QA organization. This effort will be completed July 30, 2004.

5. DoDIG. Revise internal quality assurance checklist questions or criteria to properly reflect applicable Government Auditing Standards for agreed-upon procedure assignments.

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DCAA. Concur, with clarification. The QA organization will modify its PCIE-based QA review checklist to more thoroughly and directly reflect the Generally Accepted Government Auditing Standards (GAGAS) for agreed-upon procedure assignments. The modification will be completed in time for next round of PCIE-based reviews that covers agreed-upon procedure assignments, or by September 30, 2004, whichever comes first. Please note, however, that the comprehensive checklist used by DCAA's QA organization was adapted from the checklists in the PCIE External Review Guide and has never *improperly* reflected, nor does it now *improperly* reflect, the applicable GAGAS for agreed-upon procedure assignments.

Questions regarding this memorandum should be directed to Mr. Henry Simpkins, Chief, Quality Assurance Division, at (703) 767-2298.



Robert DiMucci
Assistant Director
Policy and Plans

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Team Members

The Assistant Inspector General for Audit Policy and Oversight Directorate, Office of the Deputy Inspector General for Inspections and Policy of the Department of Defense prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

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