



## DCMA Instruction 5104

### Inspector General: External Audit

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**Office of Primary  
Responsibility:**

**Office of Internal Audit and Inspector General**

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**Internal Control Plan:** Linked on the resource page for this issuance

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**Resource Page Link:** <https://dod365.sharepoint-mil.us/sites/DCMA-Teams-PH-DM-EXAUDIT>

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**Purpose:** This issuance, in accordance with the authority in DoD Directive 5105.64, establishes policy, assigns responsibilities, and provides instructions for DCMA Internal Audit and Inspector General External Audits, which ensure external audits are authorized, written responses to external audit reports fully represent the position of the agency, and all agreed upon corrective actions are fully implemented.

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## SECTION 1: GENERAL ISSUANCE INFORMATION

### 1.1. APPLICABILITY.

This issuance applies to the Internal Audit Team (IAT) assigned to the DCMA Office of Internal Audit and Inspector General (OIA-IG) and all DCMA employees involved in audits conducted by external auditors. Actions from this instruction affect external audit agencies that include DCMA as part of an audit.

### 1.2. POLICY.

It is DCMA policy that:

- a. All DCMA personnel will have access to a fair and impartial Inspector General (IG).
- b. A selected, qualified, and appointed Assistant IG for Auditing is essential to the effective and efficient management and operation of DCMA external audit functions.
- c. The Assistant IG for Auditing will report directly to the DCMA IG. This may not be further delegated.
- d. It is DoD and DCMA policy that DoD audit organizations will have full and unrestricted access to all personnel, facilities, records, reports, databases, documents, or other information or material in accomplishing an announced audit objective when requested by an auditor with proper security clearances.
- e. DoD Components should cooperate fully with other DoD Components, federal agencies, state and local government agencies, and nongovernmental agencies and respond constructively to and take appropriate actions on the basis of audit reports from other DoD Components and non-DoD organizations.
- f. OIA-IG will consult and coordinate their activities with the DoD Inspector General (DoD IG) to enhance effectiveness, increase efficiency, and minimize conflict and redundancy.
- g. The proper protocol for external audit notification is for external auditors to use the OIA-IG, IAT inbox at dcma.lee.hq.mbx.internal-review-team@mail.mil for delivering their intent to perform an audit within DCMA. External auditors occasionally make unexpected and unauthorized contact with DCMA personnel. Any DCMA employee who receives an unexpected/unauthorized contact from an external auditing organization must refer them to the IAT inbox. Auditees shall provide the external auditors access to information when the proper protocol is followed.
- h. The OIA-IG, IAT will determine whether the external auditor has followed DCMA protocol and is authorized to conduct an audit. Typically, DoD service audit agencies, federal auditors, and inspection agencies, including Independent Public Accounting Firm, are not

allowed access unless by specific agreement with DCMA or at the behest of the DoD IG in accordance with the Public Law 95-452 Inspector General Act of 1978.

### **1.3. RECORDS MANAGEMENT.**

a. DCMA employees will maintain all records created as a result of this issuance pursuant to DoD Instruction 5015.02, the National Archives and Record Administration General Records Schedules (GRS), Volume 1 of DCMA Manual (DCMA-MAN) 4501-04, “Records and Information Management Program,” and Volume 2 of DCMA-MAN 4501-04, “Records Retention Schedule.”

b. Appendix 1A outlines records created as a result of this issuance, identifies the office of primary responsibility (OPR) records custodian, and details correlating storage requirements. Records responsibilities are pursuant to Volume 1 of DCMA-MAN 4501-04. The approved DCMAF 4501-04, “Records File Plan,” is linked on the resource page for this manual.

### **1.4. SUMMARY OF CHANGES.**

This instruction has been administratively changed. Agency users and stakeholders should read this instruction in its entirety. The following identifies the most notable changes:

- Incorporates new name change from the Office of Independent Assessment to the OIA-IG
- Renumbers DCMA Instruction 934 to DCMA Instruction 5104
- Changes the coordination inbox from InternalReviewTeam@dcma.mil to dcma.lee.hq.mbx.internal-review-team@mail.mil.

## APPENDIX 1A. DCMA 5104 RECORDS

Step, Function, Activity, or Section	Record(s) Created - Key Documentation	Record Series	Storage Location Include direction for OPR records custodian	OPR Records Custodian
Section 2.5.e	Action memo for DCMA Director and supporting documents	Series 400.05.a & 400.05.b	DCMA 365 or other DCMA system	organization generating document (AQ, TD, FB etc.)
Section 3.1.	Entrance conference request and supporting briefing material	Series 400.05.a & 400.05.b	DoDIG or GAO system	organization generating document (i.e. DoDIG or GAO)
Section 3.4.	Exit conference	Series 400.05.a & 400.05.b	DoDIG or GAO system	organization generating document (i.e. DoDIG or GAO)
Section 4.1	Draft Audit Report	Series 400.05.a & 400.05.b	DoDIG or GAO system	organization generating document (i.e. DoDIG or GAO)
Section 4.2	Final Audit Report	Series 400.05.a & 400.05.b	DoDIG or GAO system	organization generating document (i.e. DoDIG or GAO)

## SECTION 2: RESPONSIBILITIES

### 2.1. DIRECTOR, DCMA.

The DCMA Director must:

- a. Ensure the agency is in compliance with DoD Directive 5105.64.
- b. Review, approve and sign (or delegate signature authority as appropriate) final agency responses to audit Draft or Final Report and Follow-up requests.

### 2.2. EXECUTIVE DIRECTOR/IG, OIA-IG.

The OIA-IG Executive Director must:

- a. Adhere to IG quality standards of integrity, objectivity, independence, professional judgement, and confidentiality.
- b. Coordinate and monitor access permitted to external auditors from DoD components, non-DoD Federal agencies, or contracted companies for any review that requires access to DCMA records or other information from DCMA components.
- c. Ensure that the assigned duties of the Assistant IG for Auditing and IAT staff do not impede with their abilities to be independent or create a conflict of interest.
- d. Ensure external audit agencies are informed of DCMA protocol for coordinating responses to audit Draft or Final Report and Follow-up inquiries.
- e. Coordinate and address IG issues with the DoD IG.
- f. Maintain all external audit records in accordance with record retention policies.
- g. Report to the Director on the status of a new audit, Draft or Final Report, and all open Level IV recommendation(s).
- h. In accordance with applicable laws, policies, and regulations, provide assistance, including subject matter experts as necessary, to other IGs and staffs in performance of their duties.
- i. Validate all agency responses before final coordination with General Counsel (GC) and the Director. When necessary, this may be delegated to the Assistant IG for Auditing.

### **2.3. OIA-IG, IAT.**

The OIA-IG, IAT must:

- a. Possess professional proficiency for the tasks required in accordance with the Generally Accepted Government Auditing Standards.
- b. In all matters relating to audit liaison duties, be free, both in fact and appearance, from impairments to independence; must be organizationally independent; and must maintain an independent attitude.
- c. Ensure professional judgment is used in conducting audit liaison tasks.
- d. Act as the liaison between the external auditor and the DCMA component head and point of contact (POC).
- e. Coordinate with the headquarters (HQ) directorates or organizational component with the most cognizance over the audit to obtain DCMA POC information to subsequently provide it to the external auditor.
- f. Set and communicate audit suspense dates to component heads and POC to ensure timely DCMA responses.
- g. Coordinate agency comments and responses for audit Draft or Final Report, and Follow-up requests.
- h. Track the status of all findings and recommendations and conduct trend analysis related to those findings to provide regular status reports/briefings to the DCMA Director as required.

### **2.4. COMMANDERS, DIRECTORS, EXECUTIVE DIRECTORS, INTERNATIONAL AND SPECIAL PROGRAMS DIRECTORATES; ORGANIZATIONAL COMPONENT.**

The commanders or directors must:

- a. Designate a POC within two business days of request and serves as the primary focal point and coordinator for all external audit findings/recommendations under their purview.
- b. Delegate specific roles to local audit POCs and inform OIA-IG, IAT of all personnel involved.
- c. Review Draft or Final Report findings and recommendations to provide responses as required.
- d. Review and approve final audit response and action memorandum then forward to the IAT inbox dcma.lee.hq.mbx.internal-review-team@mail.mil by established suspense date.

## **2.5. POC.**

The POC must:

- a. Attend and participate in entrance and exit conferences organized by the external auditor.
- b. Be responsible for audit coordination upon audit assignment to include hosting the external auditors, providing access, workspace, data, and personnel for answering questions during the audit.
- c. Coordinate the date, time, and location of entrance and exit conferences; prepare the minutes; and sends a copy to management.
- d. Notify the IAT through the dcma.lee.hq.mbx.internal-review-team@mail.mil inbox of any site visits scheduled and subsequently completed.
- e. Prepare an action memorandum when the response is to be signed by the Agency Director.
- f. Coordinate audit responses and Action Memorandum through the applicable component head(s) and capability board managers for the specified audit area.

## **2.6. GC.**

HQ GC provides legal services to support the agency. GC must conduct a review to proposed comments on audit Draft or Final Reports and Follow-up requests. When mediation is required, GC communicates directly with the external auditor during the mediation process.

## SECTION 3: PROCEDURES

### 3.1. ENTRANCE CONFERENCE.

Entrance conferences are held in order for all to understand the external auditors' intent and for the external auditors to generally form their plan using agency expertise. The entrance conference may be requested by either the external auditor or the POC.

#### a. Notification of Entrance Conference.

Generally, the external auditor notifies the OIA-IG, IAT of the need for an entrance conference. They determine whether it will be at their work location or at DCMA HQ and whether there will be additional entrance conferences at each local entity being audited. The OIA-IG, IAT will coordinate the entrance conference. Agency POCs are notified of the entrance conference. Video and audio teleconferencing capabilities are used to achieve participation by local POCs.

#### b. Entrance Conference Minutes.

Preparation of entrance conference minutes is the responsibility of the POC. For subsequent field entrance conferences, the POC or local POC coordinates the date, time, and location; prepares the minutes; and sends a copy to their management. Minutes include a list of attendees and the key discussion points, decisions, actions, and conclusions formed during the meeting. A specific format is not prescribed.

### 3.2. EXTERNAL AUDITOR SURVEY AND REVIEW.

Coordination of the audit once it reaches the normal work execution levels will be performed by a local audit POC, normally an activity delegated from the cognitive component head. The OIA-IG, IAT, will log the audit into the Agency Corrective Action Plan Library database under the "Audits" – "Internal and External Audit Log".

#### a. External Auditor's Data Access Rights.

External auditors will have access to personnel and data that are involved within the general scope and within the broad subject matter of the audit. As a general rule, external auditors have full access to personnel, facilities, records, reports, databases, and documents in accomplishing their announced audit objective. Access issues are resolved at the lowest levels, but the chain of command is used where agreements cannot be reached. Outright refusal should be avoided, and the OIA-IG, IAT, will be contacted for swift assistance for helping the external auditors understand the issues, with GC and POC assistance as necessary. The DCMA Director may make a recommendation to the Office of the Secretary of Defense that the auditors are refused access.

**b. DoD Component, Non-DoD Federal Auditors, and Independent Public Accounting Firm.**

The OIA-IG, IAT, will coordinate with the DoD IG on authorized access for the external auditor.

**c. Use of Local Security Offices.**

Local security offices are involved if access to classified information is requested. Normal protection of classified data is not waived under any circumstances, and clearances and need-to-know are confirmed with the local security officer and POC. The POC will notify the OIA-IG, IAT auditor when access to classified information is required. The OIA-IG, IAT auditor will request security letters or notification of visit forms from the external auditor. The OIA-IG, IAT will notify the POC when the local security officer has confirmed the external auditor's level of clearance.

**d. Disclosure of Information.**

Disclosure of information that is governed by the Privacy Act of 1974 will be in accordance with the Act and amendments.

**e. Release of Budget Information.**

Budget information is released only to the DoD IG and in accordance with OMB Circular A-11. Requests for documents that originated outside DCMA are referred to the originating authority.

**f. Release of Contractor Proprietary Information.**

Contractor proprietary information may be released to DoD IG and to Government Accountability Office because these audit organizations are bound to provide the same protections to information as DCMA. All information will have appropriate protective markings. For other audit organizations, release is on a case-by-case basis in accordance with proper authority. The OIA-IG, IAT in coordination with GC provides assistance in obtaining answers to disclosure questions, if necessary.

**g. Release of Evaluation Findings.**

Release of internal audit results, performance assessments, or other internal evaluation findings will be coordinated with the OIA-IG, IAT.

**3.3. AUDIT TERMINATION LETTER.**

In some instances, after the survey phase of an audit, an external auditor decides to terminate the audit. The external auditor submits a formal "Audit Termination Letter" to DCMA via the OIA-

IG, IAT, inbox. The letter states that the audit activity has ceased and gives a general reason for the termination. The OIA-IG, IAT, will notify all POCs of the termination.

### **3.4. EXIT CONFERENCE.**

The external auditor can schedule a final exit conference to discuss audit results that encompass all the locations where audits took place. If one is not scheduled, DCMA may request one if preferred. The OIA-IG, IAT, will coordinate the exit conference and invite the POC.

## SECTION 4: COORDINATION

### 4.1. REPORT RESPONSE COORDINATION.

The draft reports, comes directly to the OIA-IG, IAT inbox and the IAT, consulting with the Assistant IG for Auditing, determines whether a response is necessary. The OIA-IG, IAT will request the applicable component head and their designated POC prepare the coordinated Agency response within the established timeframe. The OIA-IG, IAT shall coordinate with the external auditors in cases when the response due date is unreasonable or unable to be met. The OIA-IG, IAT monitors achievement of the response within the required timeframe and re-negotiates for additional time when needed. Last-minute requests for additional time can be viewed negatively as being nonresponsive. All personnel are responsible for timely responses.

a. OIA-IG, IAT encourages input to the response from all POCs or working-level auditees. The POC will retain responsibility for compiling a response that reflects a unified agency perspective consistent with previous agency audits.

b. The POC will prepare an action memorandum when the response is to be signed by the Agency Director. Both the audit responses and action memorandum will be coordinated, reviewed, and approved through the applicable component head/capability manager for the specified audit area. Where multiple functional areas have been audited, the POC ensures that all areas have reviewed the response.

c. If the agency response must deviate from the response of individual auditees, the POC is responsible for relaying the underlying reasons for the deviation to the auditees. The POC sends a draft response to the OIA-IG, IAT for confirmation that the response is sufficient for the contents of the draft report. The OIA-IG, IAT will provide recommendations for any inconsistencies but does not directly change any portion of the response.

d. OIA-IG, IAT will coordinate with the HQ GC for review and comments on any proposed responses prior to being forwarded to the Director for signature. Once the audit response has been signed, the OIA-IG, IAT forwards the scanned response and supporting documentation to the external auditor.

### 4.2. DISTRIBUTION OF FINAL REPORT.

Upon receipt of the Final Report, the OIA-IG, IAT will distribute to all executives involved in the audit. If a response is required, the same process for responding to a draft report is followed.

### 4.3. FOLLOW-UP.

Recommendations and required changes may be included in the final report. The component head/capability manager is responsible for timely implementation of policy changes and other corrective action stated in the response to recommendations. The external auditor will conduct follow up on open recommendations to verify that corrective actions have occurred. Upon receipt of a follow up request, the same process for responding to a Draft or Final report is

followed. Once an audit is closed, requests for further information are rare. The OIA-IG, IAT determines whether the request for more information is a short extension of the original audit or whether it could lead to significant audit work. In the case of the latter, an entrance conference is requested, and the process starts over with a new audit. The request for more information is coordinated with the applicable component head/capability manager, and assigned POC.

#### **4.4. MEDIATION.**

On rare occasions, the process continues if there are unresolved issues. Mediation can be suggested by either party when an impasse is reached on a particular issue. Sufficient time is afforded to both parties for preparation of their rationale packages. Mediation involves the component head/capability manager with assistance as needed from the POC, OIA-IG, DoD IG, OIA-IG - Assistant IG for Auditing, and GC. If DCMA is requesting mediation, the request is signed by the Director. The request is delivered by the OIA-IG, IAT to the DoD IG Policy and Oversight Division for notification to the applicable auditing organization.

## **GLOSSARY**

### **G.1. ABBREVIATIONS AND ACRONYMS.**

<b>ACRONYM</b>	<b>MEANING</b>
GC	General Counsel
HQ	headquarters
IAT	Internal Audit Team
IG	Inspector General
OIA-IG	Office of Internal Audit and Inspector General
POC	Point of Contact

## **GLOSSARY**

<b>TERM</b>	<b>MEANING</b>
<b>policy</b>	Rules and requirements approved by the Director used throughout the Agency to efficiently and effectively comply with higher authority policy and mission objectives. Policy must provide clear and concise direction to policy users and policy users must adhere to policy when performing their duties.
<b>qualified</b>	Trained to a satisfactory level of competence in an IG DoD-approved IG training course.

## **REFERENCES**

DCMA Manual 4301-11, Volume 1 Management Controls: Managers' Internal Control Program, June 24, 2019

DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013, Change 1, 3/2/2023

DoD Directive 5106.01, "Inspector General of the Department of Defense," April 20, 2012, as amended

DoD Instruction 7600.02, "Audit Policies," October 31, 2023

DoD Instruction 7650.01, "Government Accountability Office (GAO) and Comptroller General Requests for Access to Records," January 27, 2009, as amended

DoD Instruction 7650.02, "Engaging With The General Accountability Office (GAO) on GAO Audits," January 24, 2020, as amended

DoD Instruction 7650.03, "Follow-up on General Accountability Office (GAO), DoD Inspector General (DoD IG), and Internal Audit Reports," December 18, 2014, as amended

DoD Manual 7600.07, "DoD Audit Manual," August 3, 2015

OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," as amended

Public Law 95-452, "Inspector General Act of 1978," as amended

United States Code, Title 5, Section 552a, "Privacy Act of 1974"