

Defense Logistics Agency Instruction



DLAI 5102
Effective September 6, 2011
OIG

External Audit Support and Oversight

References: Refer to [Enclosure 1](#).

1. **PURPOSE:** This instruction describes the process for managing the external audit support and oversight program within Defense Logistics Agency (DLA). It provides DLA-wide policies and procedures for coordinating activities with external audit agencies, to include the Department of Defense Inspector General (DOD IG), Government Accountability Office (GAO), Military Service audit organizations, and independent public auditors. This program provides efficient and effective support and oversight of external audits of DLA, while maintaining the integrity of the audit process.

2. **APPLICABILITY:** This instruction applies to DLA Office of the Inspector General (DLA OIG), DLA Headquarters directorates, Primary Level Field Activities (PLFAs), and other subordinate DLA entities (hereinafter, DLA field activities).

3. **POLICY:**

a. DLA OIG is the initial point of entry for all external organizations performing audit, attestation, inspection, review or management advisory services requiring access to the personnel, data, or facilities of DLA. All external audit announcements or inquiries will be staffed through the DLA OIG. DLA field activities will refer any announcements or inquiries received directly to the DLA OIG.

b. Except for DOD IG audits, all requests for audit access from outside DLA must be coordinated and approved by the DOD IG. Approval is evidenced by an access letter from DOD IG to DLA.

c. DLA OIG, with the assistance of the responsible field Internal Review offices, will ensure adequate coordination between external organizations, DLA organizations, and DLA management throughout the audit process.

d. Appropriate senior leadership will be notified and kept apprised by DLA OIG of all announced, ongoing, recently completed and terminated external audit organization projects.

e. Each DLA Headquarters office and DLA field activity shall designate an individual to serve as the audit liaison Focal Point (FP). Each external audit organization project must initially

be coordinated with the DLA OIG. DLA OIG will coordinate with appropriate field activities through the FPs.

f. Records related to external audit matters will be kept in the External Audit Management System (EXAMS). Classified or personally identifiable information will never be kept in EXAMS but instead will be handled in accordance with applicable procedures for handling and storing such information (see Enclosure 1). DLA OIG and the FP(s) will ensure that EXAMS data is current, accurate, and complete. (EXAMS is found at https://headquarters.dla.mil/J-3/exams_v3/EXAMS_UIL/childpages/homepage.aspx)

g. Official comments to external audit agencies will be approved and signed by a General/Flag Officer or Senior Executive Service (SES) member from a J-Code or other Headquarters component. Generally DLA only has 30 days to provide comments on draft reports; therefore, DLA OIG will develop a schedule for reviewing and coordinating the proposed response. DLA field activity input to agency comments should follow local policy and procedure for Command review and approval prior to submission to Headquarters for consideration. Compliance with local policy and procedure shall not negatively impact the response schedule, as developed by DLA OIG.

h. DLA Executive Board members will take corrective actions on agreed-upon external audit findings and recommendations.

i. The DLA OIG will track open corrective actions and ensure DLA responds in a timely manner to DOD IG requests for the status of corrective actions.

j. External audit documentation will be retained for two years after final resolution. Final resolution will be measured either from the date on the memorandum from DOD IG closing the last recommendation or the date of the final audit report, whichever is later.

4. RESPONSIBILITIES.

a. Program Director for External Audit Liaison is responsible for management of and guidance for the external audit oversight function. Duties include:

- (1) Updating procedures;
- (2) Hosting training and discussion forums for FPs, and/or SMEs;
- (3) Ensuring that external audits are properly announced;
- (4) Determining DLA's level of involvement with announced external audit organization projects;
- (5) Determining the HQ DLA Office of Primary Responsibility (OPR) and identifying the responsible POC from that office, as well as DG and J8;
- (6) If required, ensuring that the DOD IG has approved external audit access to DLA;

- (7) Ensuring information in EXAMS is current, accurate, and complete;
- (8) Representing DLA at entrance and exit conferences;
- (9) Establishing and monitoring internal suspense dates for responses;
- (10) Coordinating efforts between DLA field activities and SMEs;
- (11) Scheduling, and coordinating meetings and teleconferences at HQ DLA, and coordinating site visits in conjunction with the applicable FP;
- (12) Maintaining a contact list of FPs, including name, e-mail address, organization, and telephone numbers;
- (13) Reviewing proposed agency comments to draft and final reports to ensure completeness and responsiveness to the report recommendations; and
- (14) Providing signed agency comments to the auditing entities.

b. FPs are responsible for the following:

- (1) Coordinating, identifying, and notifying SMEs;
- (2) Arranging and coordinating external auditor field visits;
- (3) Coordinating efforts between the PLFA and HQ OPR about audit efforts;
- (4) Obtaining required information to respond to audit inquiries;
- (5) Keeping the DLA OIG informed of audit progress and activity within their components;
- (6) Identifying, based on the specific project announcements (which identify the primary and collateral SMEs), if their commands should be involved in an external audit organization project; and
- (7) Ensuring the submission of agency comments (or DLA Field Activity input to agency comments, as appropriate) to draft and final audit reports meet the suspense dates established by the DLA OIG or Primary SME and are responsive to the report recommendations. Extensions to reporting suspense dates rarely are granted by either the DOD IG or GAO and should not be anticipated. Proposed corrective actions must identify any expected implementation completion date. Discussions of completed corrective actions are to include descriptions of the actions taken and documentation to verify the completion of those actions.
- (8) Document all significant meetings, events, and field visits under the Field Notes tab of EXAMS

c. SMEs are responsible for the following:

- (1) Keeping the organizational FP informed of interactions with auditors and progress of the audit;
- (2) Providing requested data and assistance to external auditors;
- (3) Identifying any needs for additional technical and subject matter expertise;
- (4) Identifying potential problems or impediments;
- (5) Meeting established timelines and suspenses;
- (6) Coordinating input of DLA comments for draft and final reports; and
- (7) Coordinating any request for information or assistance from other DLA HQ organizations or field activities.

5. PROCEDURES. Refer to [Enclosure 2](#).

6. GLOSSARY OF TERMS. Refer to [Enclosure 3](#).

7. EFFECTIVE DATE. This Instruction is effective immediately.

Director, DLA Strategic Plans and Policy
September 6, 2011

3 Enclosures

Enclosure 1 – References

Enclosure 2 – Procedures

Enclosure 3 – Glossary of Terms

Enclosure 1
External Audit References

1. Defense Logistics Agency One Book Chapter, External Audit Oversight, dated October 24, 2003, superseded.
2. Department of Defense Instruction 7600.02, “Audit Policies” (April 27, 2007).
3. Department of Defense Instruction 7650.02, “Government Accountability Office Reviews and Reports” (August 24, 2011).
4. Department of Defense Manual 7600.07-M, “DOD Audit Manual” (February 13, 2009).
5. Department of Defense Directive 7650.3, “Follow-up on GAO, DOD IG, and Internal Audit Reports” (October 18, 2006).
6. Department of Defense Instruction 7750.6, “Information Requirements for Semi-annual Report to the Congress” (April 27, 1990).
7. Department of Defense Directive 5200.1-R, “Information Security Program” (January 14, 1997).
8. Defense Logistics Agency Instruction 6304, “Information Security Program” (March 16, 2010).
9. Department of Defense Directive 5400.11-R, “Department of Defense Privacy Program” (May 14, 2007).
10. Director’s Policy Memorandum, “Employee Responsibilities When Dealing with Auditors” (June 27, 2007). (See <https://headquarters.dla.mil/DA/default.asp>.)

Enclosure 2
Procedures

1. Audit Announcement.

a. DOD IG requires that all initial requests for information related to audits by activities outside of DLA be coordinated through the DOD IG to reduce duplication of audit efforts. If coordination does not occur, DLA field activities will refer the requesting activity to the Program Director for External Audit Liaison prior to granting access to DLA data, personnel, or facilities.

b. The DLA OIG Program Director for External Audit Liaison and staff receive external audit announcements from DOD IG for DOD IG, GAO, and individual service audits (e.g., US Army Audit Agency, Naval Audit Service and Air Force Audit Agency). DLA OIG determines DLA's level of involvement in the proposed audit project. If DLA is not involved, but could become involved later or may have interest in the project results, DLA OIG will enter the audit project into EXAMS in an "Info Awareness" status and monitor its progress.

c. If DLA or its components will be involved in the project, the DLA OIG will request the appropriate DLA Headquarters Office or DLA field activity (normally the owner of the process to be audited) to identify an audit liaison Focal Point (FP) and functional SME. (The SME representing the DLA business area of greatest interest in the audit will be designated as the primary SME. Collateral SMEs, representing other business areas, will be designated as necessary). Subsequently, the DLA OIG will notify all DLA Headquarters offices and DLA field activities through the FPs of the receipt of the project announcement letter so that activities may determine their level of involvement in the project, identify and notify local SMEs, and inform management/command. The primary SME will work with any collateral SMEs and applicable FPs to direct the external auditors to the agency personnel who can best provide complete and accurate information. DLA OIG will gather and forward additional background information, as appropriate.

d. The FPs will notify DLA OIG of the identities of the SMEs. Once SMEs are identified, the OIG will notify the external audit agency of their DLA FPs and SMEs. The initial contact is the Program Director for External Audit Liaison in DLA OIG.

e. DLA OIG will ask external audit agencies about related previous audits and search the GAO and DOD IG websites for related audits. This information will be provided to the FPs and the SMEs.

f. The Program Director or Liaison Management Analyst will establish the project in EXAMS and upload the audit announcement letter and email within two business days of receipt. Within one day of identifying the SMEs, the DLA OIG will email the announcement letter to the appropriate DLA organizations with a copy to all FPs. If necessary, the Management Analyst will request a security/staffing letter for the audit using encrypted e-mail. After receipt, the security letter will be redacted (Social Security number, date of birth, and hometown) and forwarded to the cognizant FP. Security letters are never entered into EXAMS. The OIG will temporarily retain the security letter, after noting the project number on the letter. When the audit is completed, paper security letters will be shredded and encrypted e-mails will be deleted.

g. DLA OIG will ensure that the primary SME is aware of his/her responsibilities during the course of the audit project. If the SME has never served as one before, DLA OIG will provide a copy of the DLA Office of Internal Audits Brochure, along with any prior audit information related to the subject audit. The primary SME will lead the effort to prepare the DLA audit response and will coordinate any draft response with supporting offices.

2. Entrance Conference. For audit projects involving DLA, as well as multiple DOD components, the DOD IG will schedule a department-wide entrance conference. DLA OIG and the primary SME will be notified of the meeting and will represent DLA. DLA OIG will request a separate DLA-only entrance briefing at DLA HQ with the external auditors prior to any audit work being conducted or data requested. The FPs and SMEs for involved DLA field activities will be notified of the meeting and invited. A conference telephone line will be reserved to facilitate the participation of those unable to attend in person. (If a consolidated entrance conference is not possible, the external auditors may conduct entrance briefings at DLA field activities participating in the audit, subsequent to the headquarters entrance conference.) After each entrance conference, DLA OIG will write a Memorandum for the Record (MFR) to document the content of the meeting and will enter the MFR, sign-in sheets, and other documents into EXAMS no later than three business days after the entrance conference is held. If DLA OIG is not present, the FP will write the MFR and input it into EXAMS.

3. Field Work.

a. DLA OIG will contact the FPs of participating DLA HQ offices and field activities to coordinate auditor site visits to DLA facilities. All meetings/site visits are to be posted onto the Audit Suspense Public Calendar (in Outlook) by the FPs as soon as site visit information is received.

b. SMEs from both DLA HQ and field activities, as appropriate, will meet with the external auditors and, upon request, respond to auditor requests for information/data. DLA OIG will provide assistance to both the external auditors and DLA personnel to solve problems or remove impediments encountered during the audit. Interim status updates for each ongoing audit will be obtained and entered into EXAMS at least quarterly, beginning with the start of fieldwork through the draft report stage. FPs within the Internal Review offices of the DLA field activities will document all significant meetings, events, and field visits at their respective sites using the Field Visits tab in EXAMS.

c. Occasionally, external auditors prepare and disseminate discussion drafts of sections or complete reports to verify the accuracy of factual data in a report. Discussion drafts are only disseminated to individuals who have a need to know and/or are responsible for providing feedback and comments. DLA OIG will provide a copy of the draft to the responsible FPs, requesting that they obtain and return comments from the SMEs. DLA OIG will incorporate comments received into the discussion draft and submit the revised version to the external auditors for consideration. Each document will be entered into EXAMS, marked "For Official Use Only" (FOUO) and need to know, within two business days of receipt or preparation.

4. Exit Conference. For audit projects involving DOD components other than DLA, DOD IG will schedule a department-wide exit conference at the end of the audit project. DLA OIG and the primary SME will be notified of the meeting specifics and will represent DLA. FPs and

SMEs representing audited components also will be invited to participate. DLA OIG will request a separate DLA-only exit briefing at HQ with the external auditors if recommendations were directed to DLA for action or there are DLA-specific issues to be discussed. Both meetings also will be listed in the Audit Suspense Public Calendar. DLA OIG will create MFRs and load documentation into EXAMS as applicable.

5. Official Draft Report.

a. Draft reports are considered, at a minimum, FOUO documents and will be disseminated only to individuals with a need to know and who are responsible for responding to or commenting on the draft report. When a draft report is received, DLA OIG will prepare a summary discussing the results of the audit and recommendations, with special attention to any mention of DLA. Copies of the draft report and summary will be distributed to each involved Field Activity's FP, the primary SME and Internal Review Director, as appropriate, no later than two business days after receipt of the draft report.

b. The Headquarters primary SME is tasked to respond to the draft report within the established timeframe, generally 30 days from report issuance. Note that extensions to DOD IG or GAO comment submission suspense dates are rarely granted and should not be anticipated. The draft report will be distributed to all responsible FPs, SMEs, and POCs to facilitate a cooperative effort in crafting the official DLA response. DLA HQ SMEs and Field Activity SME's must coordinate their efforts to avoid duplication and ensure that an enterprise-wide position is presented. All comments from other DLA offices and DLA field activities are routed through the primary SME for consideration. Official responses to external audit agencies can be signed only at the HQ DLA level by a General Officer or SES member from a J-code or other Headquarters component. Each audit report response will contain:

(1) a statement of concurrence, partial concurrence, or non-concurrence with the report recommendations and a description of the corrective actions that have either been taken or will be taken in response to each recommendation;

(2) any required additional facts supporting the agency position, including documentation verifying completion of any actions already taken;

(3) realistic and reasonable implementation dates and interim implementation dates, if necessary;

(4) the office responsible for the implementation actions and;

(5) when there is a non-concurrence with a recommendation, full justification, with rationale and supporting documentation, should be provided. If requested, DLA OIG will assist in the preparation and review of the audit report response prior to official signature.

c. DLA OIG will review the response to ensure that the findings and recommendations are addressed adequately and will provide recommendations, if requested. For each audit recommendation where DLA concurs or partially concurs, the responding office must provide an estimated completion date for the corrective action. DLA OIG will establish internal suspense

dates and monitor the action items to ensure timely completion. DLA OIG may request an extension if the original due dates cannot be met.

d. Audit report responses and/or command comments will be forwarded to DLA OIG after they are approved at the appropriate level. DLA OIG will review the final, approved response package for accuracy and completeness, send it to the external audit agency, and enter the official drafts and a copy of the email sent to the external audit agency into EXAMS within two days of receiving the DLA response.

6. Final Report. Within two days of receipt, DLA OIG will distribute the official final report from the external audit agency to the cognizant FPs for internal distribution and further comments, if needed. When additional agency comments are required, the process described in paragraph e for draft reports will be followed.

7. Mediation.

a. Mediation occurs when the DLA and the external audit organization cannot agree on specific audit findings, recommendations, or other factual material contained in the final audit report. Mediation, as administered by a third party, is the process of resolving disputes and negotiating agreements with an intended outcome of revised, agreed-upon findings and recommendations.

b. When the DLA OIG receives a mediation request letter from the external audit agency, the primary SME will be informed. The DLA OIG and the primary SME will arrange the mediation meeting and notify all other necessary personnel. The DLA OIG will prepare an MFR after the mediation meeting to document the agreements made with the external audit agency during the mediation. A copy of the MFR will be provided to the SME and applicable FP for review and comment and entered along with any other relevant documentation into EXAMS no later than three business days after the meeting is held.

8. Follow-Up/Preparation of Plans of Action and Milestones

a. Completion of an external audit occurs upon: (a) receipt of the final audit report with a determination that no DLA response will be made; (b) submission of an official DLA response to the final audit report; (c) approval of a mediation agreement letter, or (d) termination of the audit by the external audit organization.

b. DLA OIG will monitor audit follow-up statuses and suspense dates to provide advance notice to SMEs. When a follow-up action is received from the DOD IG requesting updated information, DLA OIG will request it from the SME, through the FP, no later than three business days from receipt of the request. DLA OIG will review, format, and integrate follow-up status information, submit the responses to the DOD IG, and enter the response and accompanying documents into EXAMS within three business days. Upon DLA's completion of actions taken in response to audit recommendations, the DOD IG follow-up office will provide a letter stating that it accepts the documentation and is officially closing the recommendation(s). Upon receipt of the letter from DOD IG, the DLA OIG will enter the letter into EXAMS and close the recommendation(s) in EXAMS.

c. Twice each year, the DOD IG will submit a statutorily-required Semiannual Report to the Congress covering DOD IG's accomplishments and activities for the periods of April through September and October through March. DLA OIG will analyze this report, identify all mentions of DLA and its component activities, and classify risks for each item. This information will be provided to the Director, the DLA Executive Board, PLFA Internal Review Directors, and all DLA auditors.

9. Additional Information.

a. Information Costs. The costs of gathering information or data requested by an external audit organization are borne by the DLA owner of the information. Every effort should be made to respond and provide the requested information. Cost and competing priorities should not interfere with providing the requested information to the external auditors.

b. Working Space and Equipment. The DLA HQ office or field activity being audited is responsible for providing office space and equipment (such as telephone, fax, and copiers) requested by the external auditors. Direct access or linkage to DLA computers, servers, or data systems shall be permitted by the appropriate authority.

c. Access to Information. DOD IG and GAO auditors with proper security clearances will be granted full and unrestricted access to all personnel, facilities, records, reports, data, documents, or other information necessary to accomplish an announced audit. The access of service audit agencies is limited by the scope approved by the DOD IG. Requests for information or access beyond the approved scope shall be referred to DLA OIG for resolution. DLA OIG will coordinate with the DLA HQ Security Office to ensure that all personnel have the proper security clearances. Only the Secretary of Defense can deny release of requested data to external auditors. If needed, the DLA Director must submit a written request to deny access through the DOD IG within 15 workdays of the request for access.

Enclosure 3
Glossary of Terms

1. Audit Liaison Focal Point (FP) – Part of the DLA liaison network, FPs are the initial points of contact for external audit issues involving their respective organizations. They provide an administrative and organizational function and are different from the functional subject matter experts. Information coming from or going to the DLA OIG is coordinated through the FPs, who are identified for each DLA field activity and Headquarters office.
2. DLA Field Activities –All primary level field activities of DLA, as well as their subordinate DLA entities.
3. DLA Headquarters Offices –DLA Director and his staff including but not limited to DLA Installation Support office, J-Code offices, and Director’s Staff Groups.
4. Discussion Draft – It may also be called a pre-decisional analysis or statement of facts. Prepared by the external auditors, a discussion draft documents factual content and information as it is understood by the auditors and is prepared and offered for purposes of determining factual accuracy. DLA’s response to a discussion draft generally is provided within a limited time frame and consists of corrections to inaccuracies and/or further explanations or clarifications to information presented. The discussion draft generally contains no opinions, findings, or recommendations. DLA’s response will not include any statements of concurrence/non-concurrence or agreement/disagreement.
5. Draft Audit Report – A summary of the audit’s objectives and methodology, as well as proposed findings and recommendations, its purpose is to provide the audited entity (DLA) an opportunity to comment on findings and recommendations. It also allows explanation of corrective actions taken or planned, or to offer a counter argument or alternate solution. DOD IG generally gives a 30-day period in which to respond, and responses are published as an attachment to the final audit report.
6. External Audit Management System (EXAMS) – A web-based database application used to store information concerning external audit projects. Most DLA employees have read-only access for informational purposes. The Program Director for External Audit Liaison and staff, and the FPs can make necessary changes and update projects. FPs can make only changes or additions in the Field Notes tab of projects to which they are assigned.
7. Final Audit Report – This report is issued at the completion of an audit, contains findings and recommendations along with the comments and responses of the audited entity. Based on responses to the draft audit report, the external auditors may amend findings and/or recommendations prior to releasing the final audit report. This report, unless classified, becomes public upon release and is posted to the DOD IG or GAO web site, as applicable. Audits performed by the military services may or may not become available to the general public.
8. Functional Subject Matter Expert (SME) – This person is the functional expert assigned by management to provide the day-to-day technical support necessary to answer auditor inquiries and respond to data calls. This expert works with the FPs and DLA OIG to support an external audit project. Note that the Primary SME is the representative of the Headquarters office

responsible for finalizing official agency responses to draft and final audit reports. The SME works with the FPs, involving other DLA organizational Collateral SMEs as necessary.