

Audit

Audit Services in the Department of the Army

Headquarters
Department of the Army
Washington, DC
19 September 2007

UNCLASSIFIED

SUMMARY of CHANGE

AR 36-2

Audit Services in the Department of the Army

This major revision, dated 19 September 2007--

- o Changes the title of the regulation from Audit Reports and Followup to Audit Services in the Department of the Army.
- o Changes the proponent agency for AR 36-2 from the Office of The Inspector General to the Office of The Auditor General.
- o Removes the absolute requirement to designate personnel from the Internal Review and Audit Compliance Office as audit focal points (para 1-6j).
- o Designates The Auditor General with responsibility to oversee the execution of the Army Followup Program in accordance with appropriate Army general orders, and transfers audit liaison and followup responsibilities from The Inspector General to The Auditor General (para 1-9).
- o Transfers the responsibility for processing official command replies from The Inspector General to The Auditor General (paras 1-9g).
- o Adds attestation engagements to the type of engagements U.S. Army Audit Agency performs in accordance with generally accepted Government auditing standards (para 2-1c).
- o Adds a discussion on potential monetary benefits in audit reports (para 2-11).
- o Changes timeframes for providing an official command reply (para 2-12).
- o Adds policy and procedures for establishing the official Army position in final audit reports (para 2-12c).
- o Adds new policy for distributing U.S. Army Audit Agency reports (para 2-16).
- o Adds discussion on using U.S. Army Audit Agency's information management system for tracking the implementation status for auditor recommendations and potential monetary benefits (para 2-19 and appendix C).
- o Eliminates the detailed discussion for granting U.S. Government Accountability Office access to Army information and provides references to regulatory guidance describing procedures for providing information to the U.S. Government Accountability Office and other external audit or oversight organizations (para 3-3).
- o Incorporates and updates guidance from AR 36-5 on internal audits conducted by U.S. Army Audit Agency, which was rescinded in July 2007 (throughout).
- o Changes all references to processing command replies and managing the Army Followup Program from The Inspector General to The Auditor General (throughout).


Audit

Audit Services in the Department of the Army

By Order of the Secretary of the Army:

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General, United States Army
Chief of Staff

Official:


JOYCE E. MORROW
Administrative Assistant to the
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History. This publication is a major revision.

Summary. This publication prescribes policy and guidance for internal audit and attestation engagements conducted in the Department of the Army and for responding to audit and attestation engagements by the U.S. Army Audit Agency. It implements DOD Directive 7650.3 and DOD Instructions 7050.3, 7600.02, 7600.6, and 7750.6.

Applicability. This regulation applies to the Active Army, the Army National Guard/Army National Guard of the United

States, and the U.S. Army Reserve, unless otherwise stated.

Proponent and exception authority.

The proponent of this regulation is The Auditor General. The proponent has the authority to approve exceptions or waivers to this regulation that are consistent with controlling law and regulations. The proponent may delegate this approval authority, in writing, to a division chief with the proponent agency or its direct reporting unit or field operating agency, in the grade of colonel or the civilian equivalent. Activities may request a waiver to this regulation by providing justification that includes a full analysis of the expected benefits and must include review by the activity's senior legal officer. All waiver requests will be endorsed by the commander or senior leader of the requesting activity and forwarded through their higher headquarters to the policy proponent. Refer to AR 25-30 for specific guidance.

Army management control process.

This regulation contains internal control provisions and identifies alternatives for evaluating key internal controls (see appendix E).

Supplementation. Supplementation of

this regulation and establishment of command and local forms are prohibited without prior approval from the Office of The Auditor General (SAAG-ZA), 3101 Park Center Drive, Alexandria, VA 22302-1596.

Suggested improvements. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) directly to the Office of The Auditor General (SAAG-ZA), 3101 Park Center Drive, Alexandria, VA 22302-1596.

Distribution. This publication is available in electronic media only and is intended for command levels C, D, and E for the Active Army, the Army National Guard/Army National Guard of the United States, and the U.S. Army Reserve.

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Chapter 1 Introduction

Section I General

1–1. Purpose

This regulation prescribes policy and guidance for internal audit and attestation engagements conducted in the Army and for responding to audit and attestation engagements by U.S. Army Audit Agency (USAAA). It describes the Army's Followup Program and discusses the Semiannual Report to Congress and the related semiannual followup status report submitted to Department of Defense Inspector General (DODIG). It also discusses external audits and reviews that may be conducted by U.S. Government Accountability Office (GAO), DODIG, Special Inspectors General, and commercial audit firms.

1–2. References

Required and related publications and prescribed and referenced forms are listed in appendix A.

1–3. Explanation of abbreviations and terms

Abbreviations and special terms used in this regulation are explained in the glossary.

1–4. Responsibilities

Responsibilities are listed in chapter 1, section II of this regulation.

1–5. Authority

a. The Auditor General, in accordance with functional responsibilities delegated by the Secretary of the Army, exercises sole responsibility for the conduct of the audit function in the Army or for which the Army provides resources. The Auditor General reports to the Secretary of the Army and is responsible to the Secretary for the operational performance of USAAA. USAAA is the Army's internal audit organization.

b. The Auditor General heads USAAA and has audit responsibility for all functions and elements of the Army. USAAA is the only Army organization or activity authorized to conduct audits within the Army. The Auditor General may allow contracting for auditing services as indicated in paragraph 1–9*e*.

1–6. Relations with auditors

a. The Army recognizes, supports, and uses audit as an important element of internal control systems. Managers use audit reports to improve the effectiveness and efficiency of Army operations. Audited activities will take prompt, responsive, and effective corrective actions on agreed-to auditor recommendations and, if reported, potential monetary benefits. Command activities will coordinate with The Auditor General for all internal audits.

b. All audit and attestation engagements will be conducted in accordance with generally accepted Government auditing standards (GAGAS) and applicable Department of Defense (DOD) policy as set forth in—

(1) Government Auditing Standards prescribed by the Comptroller General of the United States. The current version of Government Auditing Standards, commonly referred to as the "Yellow Book," is available at the GAO Web site (<http://www.gao.gov>).

(2) DOD Instruction 7600.02.

(3) DOD Instruction 7600.6.

c. Audited activities will provide information that is factual, accurate, and representative of the situation being assessed. Audited activities will not unreasonably delay the progress of the audit when providing this information. Audit organizations will have full access to all personnel, facilities, records, reports, databases, and documents. Audited activities will make all accounts, books, records, documents, papers, facilities, equipment, and other assets available for examination and observation by auditors and make available knowledgeable personnel who can discuss the information. (This material includes letters, memorandums, endorsements, reports, memorandums for the record, contingency plans, relevant working papers, and documents and media of any type, including automated or electronic records and systems with any needed associated passwords.) Audited activities will not require written requests unless one is needed for clarification.

d. Audited activities will release classified documents and records under the provisions of AR 380–5 for review by auditors with the appropriate level of security clearance. Audited activities will assist the auditors in determining what security clearances will be necessary and any classification or protective markings to be applied to material developed during the audit. If the audited activity is not authorized to make this determination, it will direct the auditors to the proper authority and, when appropriate, will help the auditors obtain the classification from the proper authority.

e. Audited activities will provide adequate space, facilities, communications, network connectivity, and other assistance necessary to perform the audit. This support includes computer programming and access to systems and hardware, as well as other technical assistance necessary to audit computer-based systems and information.

f. Auditors will keep the command informed about the audit approach and timeframes and will make results, conclusions, recommendations, reports, and potential monetary benefit estimates available for review and comment before finalizing their reports. Interim products are subject to revision and audited activities will safeguard them to prevent any premature or unauthorized release, disclosure, or use.

g. Auditors will refer indications of fraud or other criminal acts to the appropriate investigative organizations in accordance with applicable regulations.

h. Auditors will issue reports containing recommendations, as appropriate. Auditors do not have the direct authority to make changes or order that changes be made in the procedures of audited activities. These changes are the responsibility of management.

i. Audited activities will take prompt, responsive, and effective corrective actions on agreed-to auditor recommendations and, if reported, potential monetary benefits.

j. Army activities will assign individuals, referred to as audit focal points, to provide assistance to external auditors, coordinate audit activity within the command, and assist in the command-reply process and Audit Followup Program. The responsibilities of audit focal points are discussed in paragraph 1–15. Army activities will exercise care in appointing audit focal points. Audit focal points will be familiar with the audit process. Army activities with an Internal Review Office may want to designate an individual from that office as the audit focal point.

k. Decisions on disputed conclusions, recommendations, corrective actions, or potential monetary benefits will be well-documented and consistent with legal statutes, regulations, and Department of the Army (DA) policy. All disagreements between management and auditors will be decided within 6 months from the date of the final audit report (Public Law 103–355, as amended, and Office of Management and Budget (OMB) Circular A–50).

Section II Responsibilities

1–7. Under Secretary of the Army

The Under Secretary of the Army will adjudicate disagreements between management and USAAA on issues involving audits and attestation engagements of Secretariat functions, including civil works matters, which cannot be resolved otherwise.

1–8. Vice Chief of Staff, Army

The Vice Chief of Staff, Army will adjudicate disagreements between management and USAAA on issues involving audits and attestation engagements of Army Staff functions that cannot be resolved otherwise.

1–9. The Auditor General

The Auditor General will—

- a.* Oversee the operational performance of USAAA.
- b.* Establish audit policy for the Army and for implementing GAGAS established by the Comptroller General of the United States for audits within the Army.
- c.* Provide objective and independent audit service to all levels and functions throughout the Army covering issues and subject matter relevant to the Army.
- d.* Assist top managers of the Army Secretariat, Army Staff, Army Commands (ACOMs), Army Service Component Commands (ASCCs), Direct Reporting Units (DRUs), installations, and field activities on audit matters.
- e.* Approve the requirement to contract for audit service and provide technical guidance and oversight of audits performed under contract.
- f.* Serve as the Army point of contact for the coordination of all audit matters with the President’s Council for Integrity and Efficiency, GAO, DODIG, Special Inspectors General, Air Force Audit Agency, Naval Audit Service, and other oversight organizations as deemed necessary.
- g.* Oversee the effective execution of the Army command-reply process and audit followup program, including coordinating with Army Secretariat, Army Staff, ACOMs, ASCCs, DRUs, installations, and field activities, and coordinating and facilitating followup activities of GAO, DODIG, and other oversight organizations.
- h.* Act on requests for records submitted under the Freedom of Information Act in accordance with procedures in AR 25–55 when the records relate to audits or operations of USAAA.

1–10. Headquarters, Department of the Army principal officials

Headquarters, Department of the Army (HQDA) principal officials will—

- a.* Request audit service when needed as discussed in paragraph 2–4.
- b.* Obtain The Auditor General’s approval before contracting for audit service.

c. Designate an audit focal point to coordinate audit activity and perform liaison for USAAA, GAO, DODIG, Special Inspectors General, and other oversight organizations, and report contact information to the USAAA Audit Coordination and Followup Office (SAAG-PMO-L).

d. Cooperate with and fully support auditors by responding to audit requests and providing assistance to auditors, as needed.

e. Respond to audit reports in accordance with policy and procedures in this regulation and take responsive actions on agreed-to recommendations in a timely manner to reduce costs, manage risks, and improve management processes.

f. Recommend the official Army position on findings, conclusions, recommendations, or potential monetary benefits.

g. Facilitate and support the USAAA Audit Followup Program as requested and adhere to audit followup policies and procedures prescribed in this regulation.

h. Ensure that employees responsible for resolving auditor recommendations and implementing agreed-to corrective actions have the responsibilities captured in officer evaluation support forms and civilian performance or job objectives as directed by OMB Circular A-50.

1-11. The Department of the Army Inspector General

The DA Inspector General will assist The Auditor General in elevating disagreements between USAAA and command concerning findings, conclusions, recommendations, corrective actions, or potential monetary benefits to the Under Secretary of the Army or Vice Chief of Staff, Army, as appropriate, for adjudication in accordance with the process described in paragraph 2-14.

1-12. Chief of Legislative Liaison

The Chief of Legislative Liaison will act as the central office for all congressional requests in accordance with AR 1-20. If Congress directly contacts USAAA for information, USAAA will coordinate with the Office of the Chief of Legislative Liaison before responding to Congress.

1-13. Commander, U.S. Army Criminal Investigation Command

The Commander, U.S. Army Criminal Investigation Command will—

a. Investigate allegations of criminal misconduct within command's investigative authority in compliance with AR 195-1, AR 195-2, and applicable DOD policy.

b. Request USAAA to provide audit assistance for criminal investigations as needed within the guidelines outlined in AR 195-1.

c. Receive referrals from USAAA on potential fraud, abuse, or misconduct and report back significant trends and findings resulting from the referral.

1-14. Army Commands, Army Service Component Commands, and Direct Reporting Units

The ACOMs, ASCCs, and DRUs have the same responsibilities as HQDA principal officials except for recommending the official Army position discussed in paragraph 1-10f.

1-15. Audit focal points

Audit focal points will—

a. Serve as the point of contact for all USAAA, GAO, DODIG, Special Inspectors General, and other external oversight organizations on audit matters. Report contact information to the USAAA Audit Coordination and Followup Office (SAAG-PMO-L).

b. Receive audit announcements, coordination requests, audit reports, and other audit related requests pertaining to their command or agency; distribute reports or other audit related requests to appropriate offices for action or comment; make sure command responses appropriately comment on the need for classification or protective marking; and monitor the preparation of command replies to ensure they are responsive and timely.

c. Report the implementation status of USAAA recommendations and respond to requests on the status of GAO, DODIG, and Special Inspectors General recommendations.

1-16. Managers responsible for implementing recommendations

Managers at activities responsible for implementing recommendations will prepare timely replies and take timely and effective corrective action on agreed-to recommendations applicable to their programs and activities. Recommendations include those from USAAA, GAO, DODIG, Special Inspectors General, and other external oversight organizations.

Chapter 2

U.S. Army Audit Agency

Section I

Internal Audit Service

2-1. Functions

a. The USAAA conducts the internal audit program within the Army. USAAA is a field operating agency under the Secretary of the Army, with an Operations Center and field offices located throughout the continental United States, Europe, Korea, and Hawaii.

b. The USAAA is organizationally placed to maintain auditor independence required by public law and GAGAS established by the Comptroller General of the United States. Auditors will not perform management functions or make management decisions.

c. The USAAA provides all levels and programs of the Army with objective and independent audit services. Internal audit extends to all Army organizations and operations, and to all aspects of management and internal controls. USAAA performs performance audits, financial audits, and attestation engagements in accordance with GAGAS. With approval by The Auditor General, USAAA auditors may provide other services, such as offering routine advice and assistance, and conducting analyses and compilation reviews. Auditors will sometimes provide audit assistance for criminal investigations at the request of the investigating officials.

d. The USAAA is independent and unrestricted in selecting audits it will perform, determining the scope of audits it will undertake, and selecting the material it will review or examine during planning, survey, and audit execution. USAAA supports the Army mission by providing timely and relevant audit service on subject matters most important to the Army. USAAA may consider using the work of other audit, investigative, and analysis agencies to minimize duplication and increase the effectiveness of the audit.

e. Auditors will accomplish audit and attestation engagements of nonappropriated fund instrumentalities in accordance with GAGAS and policies in DOD Instruction 7600.6; AR 215-1, chapter 18; and other applicable Army regulations. USAAA may provide oversight, advice, and assistance to the audit planning group for the Morale, Welfare, and Recreation Program.

f. Independent public accountants or firms conduct audit and attestation engagements of nonappropriated funds and related activities. U.S. Army Family Morale, Welfare, and Recreation Command must coordinate with USAAA for all solicitations for audit and attestation engagements with public accounting firms before their release and contract award. All audit and attestation engagements of nonappropriated funds and related activities (including those under contract with public accounting firms or other non-Federal or Federal sources) will comply with GAGAS as well as other applicable DOD or OMB audit standards. The Auditor General retains oversight responsibility and may initiate a review of the work conducted under these contracts.

g. The USAAA will not provide direct audit support to federally sanctioned, affiliated, or other independent private organizations except for audits involving potential fraud or other serious improprieties.

2-2. Components of the audit and attestation engagement process

Auditors and audit organizations perform audit and attestation engagements in accordance with GAGAS (see fig 2-1, below).

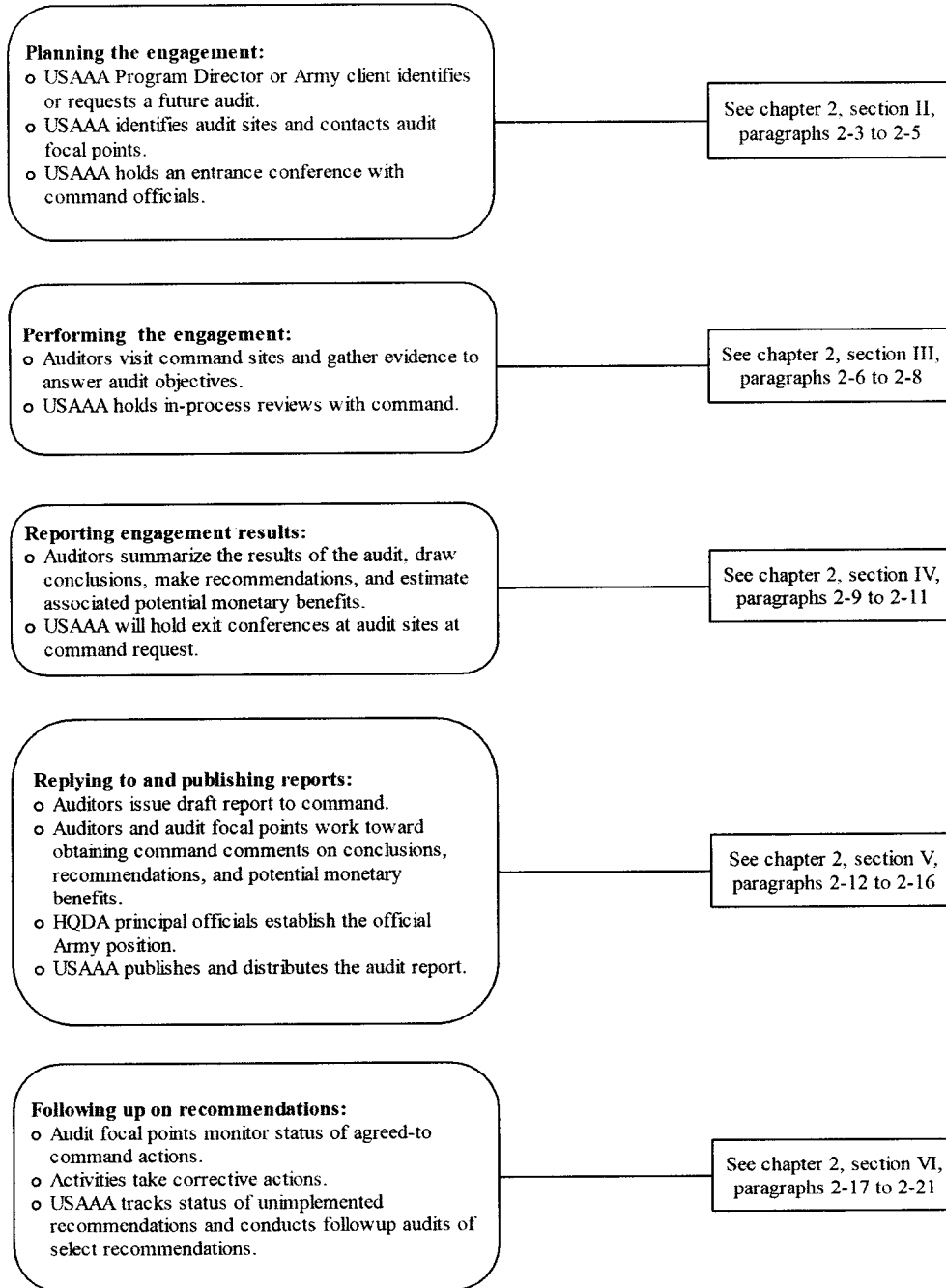


Figure 2-1. Engagement phases

Section II

Planning U.S. Army Audit Agency Audits and Attestation Engagements

2-3. Strategic-level planning

The USAAA uses a strategic audit planning process to identify audits that would be most relevant to the Army. The process involves the application of a risk assessment framework in reviewing the Army's corporate strategic planning documents (such as The Army Plan, Army Posture Statement, and Army Campaign Plan) combined with extensive communication with Army clients to develop the audit plan and schedule audits.

2-4. Requests

The USAAA may schedule and perform audits under the authority of The Auditor General or base them on requests from the Army Secretariat, Army Staff, ACOMs, ASCCs, DRU, and other Army activities. USAAA is flexible in adding and canceling audits as priorities change within the Army. The Auditor General is the authority for determining the need for and timing of audits. To request an audit, individuals will contact the program director responsible for the function, if known, or the USAAA Strategic Audit Planning Office. Individuals will submit requests directly to the program director or to AAAAuditRequests@aaa.army.mil.

2-5. Schedule of engagements

a. The USAAA posts its audit schedule to the USAAA Web site at <https://www.aaa.army.mil>. The audit schedule is also available through Army Knowledge Online. Both sites offer a search capability so that individuals may identify planned audits.

b. The USAAA will coordinate with audit focal points and notify commands and activities of its planned audits in accordance with current Army notification procedures to the greatest extent possible before the entrance conference or start of fieldwork. Audit focal points are responsible for notifying interested organizations or individuals, including any battalion-level organizations that might be included in the audit. The activity being audited may waive advance notification requirements and request that the audit start sooner.

Section III

Performing the Engagement

2-6. Fieldwork

a. The USAAA will request that audit focal points coordinate with appropriate command personnel to arrange an entrance conference about 30 calendar days before the engagement start date. After making this request, USAAA may coordinate with command audit focal points to begin performing preliminary fieldwork.

b. The USAAA will evaluate subject matter using a variety of audit tools and techniques. USAAA will collect, analyze, and document the information and data needed to answer the audit objective, complete the audit program, and support the audit results. USAAA must conduct its work in accordance with GAGAS, which requires appropriate evidence to support conclusions. Audited activities will provide full access to USAAA in accordance with paragraph 1-6c.

2-7. Fraud and illegal acts

The USAAA auditors will appropriately design their engagements to provide reasonable assurance for detecting indications of possible fraud, abuse, and illegal acts in accordance with GAGAS. If USAAA auditors identify situations or transactions indicative of fraud or illegal acts during the course of their review, they will refer the information to the appropriate investigative authority.

2-8. In-process reviews

Throughout the engagement, USAAA will keep Army clients aware of results through informal discussions or formal briefings. USAAA may conduct in-process reviews to discuss progress. During the in-process review, USAAA will give the client an opportunity to provide input on the auditors' approach and tentative results.

Section IV

Reporting the Results of the Engagement

2-9. Draft report

a. Following completion of its fieldwork, USAAA will prepare and submit draft reports to audit focal points or other designated representatives at organizations responsible for implementing recommendations to obtain their position

on the findings, conclusions, recommendations, and, if applicable, potential monetary benefits, as well as planned corrective actions.

b. The findings, conclusions, recommendations, and potential monetary benefits USAAA submits to the organization responsible for implementing recommendations for comment are draft and do not represent the official Army position. Draft documents will not be released outside the Army without the approval of USAAA's Office of Counsel.

c. The USAAA will request that the organization responsible for implementing recommendations confirm the classification or protective markings for the draft report when USAAA submits the report for comment. If USAAA suggests a classification or protective marking, the organization will confirm the classification or protective marking. If information in the report does not require a classification or protective marking, the organization will state that a classification or protective marking is not required.

2-10. Exit conference

The USAAA will offer to schedule an exit conference within 15 calendar days of the draft report date to discuss the report. The exit conference gives the organization an opportunity to discuss the findings, conclusions, recommendations, corrective actions, and potential monetary benefits, and to resolve any open issues or areas of disagreement. An exit conference may not be necessary when the organization fully agrees with the report and no issues require resolution. Consequently, organizations responsible for implementing recommendations, as well as other organizations having an interest in the audit results, may waive the exit conference.

2-11. Potential monetary benefits

a. Monetary benefits often accrue when activities take corrective actions, such as—

(1) Collecting funds incorrectly paid out.

(2) Reducing excess inventory and associated inventory holding costs.

(3) Avoiding unnecessary expenditures or reducing requirements.

(4) Avoiding costs by implementing recommended improvements related to the operations of an Army activity or business processes.

(5) Improving procedures that enable the activity to accomplish a function more efficiently.

b. The USAAA will report potential monetary benefits to the audited or responsible activity and provide details on how auditors computed the benefits. USAAA also reports potential monetary benefits to DODIG for inclusion in the Semiannual Report to Congress.

Section V

Replying to and Distributing Reports

2-12. Command-reply process for U.S. Army Audit Agency reports

The command-reply process enables the organization or organizations responsible for implementing recommendations, higher commands, and HQDA principal officials to present their positions on findings, conclusions, recommendations, corrective actions, and potential monetary benefits. The process also provides procedures for deciding disagreements on audit reports.

a. *General requirements.*

(1) Each commander, director, or HQDA principal official to whom a finding, conclusion, recommendation, or potential monetary benefit is addressed will prepare an official command reply. A reply is required for USAAA products associated with all engagements conducted in accordance with GAGAS within 30 calendar days from the date of the transmittal of the draft report. If the organization or organizations responsible for implementing recommendations do not provide a position within 30 calendar days, USAAA will take actions it deems necessary to obtain a reply and publish the report. These actions include elevating the report to the next higher level for its position or issuing the report without an official Army position or, if necessary, command comments. An official Army position will then be established in accordance with the procedures discussed in paragraphs 2-12c and 2-14.

(2) Commanders, heads of Army activities, or other individuals who have authority or responsibility to implement or direct the implementation of required management changes will approve command replies. Any other individual signing command replies must have explicit authority to do so.

(3) The organization or organizations responsible for implementing recommendations will take prompt corrective action if they agree with findings, conclusions, recommendations, or potential monetary benefits. If the organization or organizations disagree, then the process for developing the official Army position discussed in paragraph 2-12c will determine what action they will take. Commanders and managers will avoid taking actions before resolving disagreements, such as proceeding with activities questioned on undecided time-sensitive issues, if they don't agree with findings, conclusions, recommendations, or potential monetary benefits.

b. *Command-reply process for USAAA reports.*

(1) The addressee must explicitly agree or disagree (concur or nonconcur) with the findings, conclusions, recommendations, and, if applicable, corrective actions taken during the audit and any potential monetary benefits. Appendix B has a suggested format and instructions for preparing the reply. The reply will:

(a) Address adequately the issues presented in the report, be responsive, and provide a corrective action plan with milestone dates to correct deficiencies.

(b) Justify any corrective actions taking 12 months or more to complete and provide target dates for intermediate phases of plans if the corrective actions will take more than 12 months to complete.

(c) Explain any disagreement with USAAA's findings, conclusions, and recommendations in sufficient detail to allow for mediation and adjudication (see para 2-14). The addressee can propose alternative actions to recommendations. If the addressee proposes alternative actions, it must also clearly state the completion or target dates for those actions. The addressee may also comment on any changes needed to clarify matters in the report.

(d) Provide a position on the USAAA estimate of potential monetary benefits. The addressee will explicitly agree or disagree and provide any alternative amounts to each category and type of monetary benefits. If the addressee agrees that potential monetary benefits may result from implementing a recommendation, but believes the amount cannot be determined until after implementation, the addressee will confirm the potential for monetary benefits and comment on the reasonableness of the estimate.

(2) The USAAA will evaluate the addressee's response and try to resolve any disagreements or deficiencies in the response with the organization or organizations responsible for ensuring implementation of the recommendations. If these attempts are not successful, USAAA will prepare comments identified as the "Agency Evaluation of Command Comments." USAAA may also include an evaluation if the addressee identifies alternative actions that meet the intent of the recommendation. The Agency Evaluation of Command Comments will appear after the summary of the response from the addressee.

(3) In the final audit report, USAAA summarizes the command replies after each recommendation and includes the verbatim comments from the addressees and higher level activities in an annex to the report. If the report does not include recommendations or potential monetary benefits, USAAA will include the addressee's position in the report. The comments do not constitute the official Army position until they have been coordinated with the HQDA principal officials (see para 2-12c, below).

c. Official Army position.

(1) An official Army position will be established for all USAAA reports associated with engagements conducted in accordance with GAGAS. The HQDA principal official will provide the official Army position except for those recommendations requiring adjudication in accordance with paragraph 2-14. The HQDA principal official provides the official Army position explicitly when the official provides a response to USAAA. The HQDA principal official may also provide the official Army position implicitly by letting stand corrective actions and agreements to recommendations by both the lower level command or activity and higher level commands or activities. In these cases the reply provided by lower level command and agreed to by the higher level command is the official Army position.

(2) To provide the official Army position, the HQDA principal official will evaluate responses associated with the audit report and recommend the official Army position on the findings, conclusions, recommendations, and, if applicable, potential monetary benefits in the USAAA report.

(3) The USAAA will process the replies and obtain an official Army position using the procedures and timeframes outlined in the following subparagraphs.

(a) *Addressees are in full agreement with the draft report.* The USAAA will simultaneously process a report with all concurrences to higher level commands and cognizant HQDA principal officials. The HQDA principal official will provide the official Army position explicitly or implicitly within 30 calendar days. If the HQDA principal official provides an explicit response, the written response from the HQDA principal official will become the official Army position. If the HQDA principal official declines to reply or does not respond within 30 calendar days, USAAA views the circumstance as receipt of an implicit official Army position, and the reply from the subordinate activity will become the official Army position.

(b) *Addressees are in disagreement with the draft report.* The USAAA will incorporate the addressee's disagreement and present the USAAA position on the disagreement (the "Agency Evaluation of Command Comments") in the draft report. USAAA will then process the report to the next higher level of command for official comment. The higher level command has 30 calendar days to respond. If the higher level command modifies or reverses the addressee's disagreement, and USAAA agrees with the revision, USAAA will process the report to the HQDA principal official for official comment. If the HQDA principal official endorses the revision, the endorsement becomes the official Army position in the final audit report. If the HQDA principal official does not respond within 30 calendar days after receiving the report with the revised position or declines to provide a response, the response from the higher level command will become the official Army position.

(c) *Disagreement with the draft report occurs between command levels.* If the higher level command does not agree with USAAA's findings, conclusions, recommendations, or estimated potential monetary benefits, USAAA will submit the audit report-with the command reply and USAAA evaluation-to the HQDA principal official. The HQDA principal official will evaluate the USAAA and higher level command responses and develop an Army position within 30

calendar days. If the HQDA principal official agrees with USAAA, the position from the HQDA principal official becomes the official Army position. If the HQDA principal official does not provide a response within 30 calendar days, USAAA may consider—

1. Continuing to work with the HQDA principal official to resolve the disagreement before using the resolution process explained in paragraph 2–14.

2. Using the resolution process in paragraph 2–14 and awaiting the results before publishing the report without an official Army position.

3. Publishing the report without an official Army position and using the resolution process in paragraph 2–14.

(4) If the HQDA principal official and USAAA cannot resolve the disagreement in a reasonable timeframe, USAAA may choose to publish the report without an official Army position as indicated in paragraph 2–12c(3)(c)3. In these cases the official Army position will be established through the resolution process outlined in paragraph 2–14.

2–13. Release of audit-related documents outside the Army

Audit-related documents (such as draft reports and command replies) related to the official command-reply process are used to formulate the official Army position on the USAAA report. Except for the official Army position statement, the documents do not represent the Army position and are not to be released outside the Army except by the Office of The Auditor General. All requests for release of any audit-related documents outside the Army will be referred to USAAA’s Office of Counsel (SAAG–GC).

2–14. Resolution process

a. General. The USAAA and the HQDA principal official will make every effort to resolve disagreements with draft reports through informal meetings involving the audited or responsible activity and higher level commands. However, if these efforts are not successful, USAAA will proceed to the formal mediation and adjudication process described in paragraphs 2–14b and 2–14c, below. USAAA may await the outcome of the process and include the results as the official Army position in the final report. It may also consider publishing the final report without an official Army position in it and proceeding into the formal mediation and adjudication phases. These phases will be completed within 6 months of the final report date.

b. Mediation. If a disagreement continues to exist, either in a published report without an official Army position or in a report not published pending a decision on the official Army position, the Audit Coordination and Followup Office will attempt to mediate the disagreement between the HQDA principal official and the USAAA audit team. If a mediation meeting is held and the HQDA principal official and USAAA resolve their differences, the Audit Coordination and Followup Office will prepare a memorandum, signed by appropriate representatives from USAAA and the HQDA principal official, documenting the agreements reached through mediation. This document establishes the official Army position for the disputed issues in the report. If the disagreement cannot be resolved, the Audit Coordination and Followup Office will refer the dispute to The Inspector General to assist in arranging for adjudication.

c. Adjudication. If a disagreement is not resolved through mediation, USAAA will continue processing the report to the Under Secretary of the Army or the Vice Chief of Staff, Army, as appropriate, for adjudication. The Under Secretary or the Vice Chief will resolve the disagreement. In accordance with a memorandum of understanding, The Inspector General will assist The Auditor General in scheduling the adjudication. If the official Army position is not in the final report and is in the resolution process, adjudication must be completed and a final resolution made within 6 months of the publication date of the final report.

2–15. Time-sensitive issues

a. The USAAA will notify command of time-sensitive issues that arise during an engagement. Time-sensitive issues are significant or sensitive situations where specific corrective actions must be taken immediately or by a specified imminent date, before the normal reporting and resolution process can be completed.

b. The USAAA will usually notify command of the time-sensitive issue through a memorandum that gives activities 5 working days to respond to its recommendations, but may allow more or less time if circumstances dictate.

c. Except for the timeframe, time-sensitive reports will be resolved in accordance with the policy in paragraph 2–14, above. However, USAAA may elevate issues directly to the Under Secretary of the Army or the Vice Chief of Staff, Army if sufficient time is not available for normal or time-sensitive procedures.

2–16. Report distribution

a. Except for classified reports, reports requiring special handling, and reports to activities with special agreements for printed reports, USAAA will distribute reports in electronic format to—

(1) Audited activities and any activities affected by the recommendations or command’s corrective actions.

(2) Organizations that requested or arranged for the audit.

(3) Activities with legal oversight authority or responsibility for acting on the auditor recommendations, such as

ACOMs, ASCCs, DRUs, or the DA proponents inherently responsible for the function or activity described in the audit report.

b. The USAAA will notify Army activities weekly about published reports. USAAA will post its unclassified reports to the USAAA Web site (<https://www.aaa.army.mil>) after establishment of an official Army position. The agency Web site is available to military domains and GAO only. Unclassified reports are also available through the Army Knowledge Online Web site. Other activities can request copies of USAAA reports by contacting the USAAA Audit Coordination and Followup Office (SAAG-PMO-L).

Section VI

Followup on Auditor Recommendations

2-17. Guidelines

a. The OMB requires a followup program for audit reports. An effective followup program must provide a method for tracking the implementation of corrective actions until completion, reporting the status of these actions (including resulting potential monetary benefits) to higher levels of management, verifying corrective actions, and periodically evaluating the adequacy and effectiveness of the overall program.

b. The HQDA principal officials, ACOMs, ASCCs, and DRUs take action to implement the corrective action they agreed to perform and will implement followup systems as described in paragraphs 2-18 and 2-19, below, to control, monitor, and report on corrective actions pertaining to auditor recommendations and potential monetary benefits. HQDA principal officials, ACOMs, ASCCs, and DRUs will determine and document the status of recommendations as soon as practical after the scheduled completion of corrective actions.

c. The USAAA Audit Coordination and Followup Office uses the USAAA System for Information Storage and Transmission (AAAsist) to track the status of auditor recommendations and potential monetary benefits. The office encourages audit focal points at the local level to use this module and will authorize access to it. Audit focal points will update information in the system as corrective actions are completed, target dates for completion are changed, or milestones are met.

2-18. Followup system

a. The followup system will document actions taken on conclusions, recommendations, and potential monetary benefits. The system will allow for monitoring corrective actions as presented in the command reply and show established target dates as an initial suspense for completed actions.

b. Activities responsible for taking corrective actions will report when they complete corrective actions and whether they achieved monetary benefits (see para 2-19c) to their audit focal points. Activities responsible for taking corrective action will:

(1) *Maintain accurate records.* Records will include explicit written confirmation and documentation supporting that the activity took corrective actions and achieved monetary benefits.

(2) *Respond to a request for status.* Activities will provide timely and accurate information to audit focal points. Activities will notify audit focal points when they cannot meet established target dates as soon as that becomes known and provide audit focal points with new target dates and justification for reestablishing target dates as soon as it is known.

c. Audit focal points will monitor the status of corrective action at those activities responsible for taking corrective action. When the responsible activity cannot meet established target dates, it will provide the audit focal points with new target dates. Management officials of the responsible activity and audit focal points will continue to monitor recommendations when analysis shows that agreed-to actions were not taken or corrective actions were not effective. In these situations audit focal points will not report actions as complete and will obtain new target dates from the responsible activity. Audit focal points will post any change to the date in AAAsist or notify USAAA of any new target date.

d. Audit focal points will monitor any slippage in completion dates and advise senior management officials, who will act appropriately to resolve the issues.

2-19. Status of corrective action

a. Audit focal points will update the status of agreed-to recommendations by using AAAsist or notifying USAAA. Appendix C discusses data elements in AAAsist and provides definitions and information for the updates.

b. Activities responsible for taking corrective action must ensure that they take meaningful, effective, and timely action in response to agreed-to findings and recommendations to receive the full benefits of the audit work. Unimplemented recommendations represent conditions that have not been corrected. If a USAAA followup audit subsequently shows that actions were not adequate or were not taken, USAAA will change the status of the recommendation to unimplemented and include a new target date. Audit focal points will again report the recommendation as completed when managers provide explicit written confirmation of completion, even if USAAA has not verified completion by a subsequent followup audit.

c. Monetary benefits will be reported as achieved only after responsible managers have completed the related corrective actions and provided explicit written confirmation, including documentation such as references to official budget or accounting data or, if such documentation is not feasible, an updated estimate along with the rationale for that estimate. Audit focal points will report on the status of the claimed monetary benefits when actions to implement the recommendation are completed.

d. The HQDA principal officials, ACOMs, ASCCs, and DRUs must maintain documentation for at least 3 years after implementation of the last recommendation in the report and will make the documentation readily available to audit organizations.

2–20. U.S. Army Audit Agency followup audits

The USAAA may conduct followup audits of recommendations to verify that management officials took corrective action. USAAA will issue a report containing the results of the audit and conclusions as to whether the activity took corrective actions and the actions achieved the desired results and monetary benefits, if applicable. In a separate audit of an activity's overall followup system, USAAA will coordinate and provide a report on its evaluation of the followup system. If USAAA finds that the system is not adequate to monitor the status of corrective actions, it will make recommendations to correct deficiencies in the system.

2–21. Semiannual Followup Status Report

a. In accordance with DOD Directive 7650.3, USAAA is required to report to DODIG semiannually the status of management's corrective actions on USAAA audit reports. The semiannual Followup Status Report covers the 6-month periods ending 31 March and 30 September. DODIG may use this information in its reports to Congress in accordance with Public Law 95–452, Inspector General Act of 1978, as amended.

b. The USAAA will use data within AAAsist to provide DODIG with the narrative information and statistical data requested. USAAA provides statistical data and information relating to special access programs as a classified annex to its response.

Chapter 3

External Audits and Reviews

3–1. Notification of audits by external oversight organizations

a. The USAAA Audit Coordination and Followup Office is the Army's central point of contact for oversight organizations external to the Army that conduct reviews or audits within the Army. All reviews and audits conducted by oversight organizations in the Army must be coordinated with this office.

b. The USAAA Audit Coordination and Followup Office will notify HQDA principal officials, ACOMs, ASCCs, DRUs, and other affected Army activities of the planned reviews and audits. After this notification, the oversight organizations normally will coordinate directly with the audited activity.

c. The DODIG serves as the DOD central liaison with the Comptroller General of the United States on all matters concerning GAO activities. DODIG will develop and provide guidance, as needed, to facilitate the handling of GAO surveys and reviews, and to review and respond to GAO reports. DODIG will notify the USAAA Audit Coordination and Followup Office about these reviews. The office will then task HQDA activities to provide requested information.

d. Army activities will promptly notify the USAAA Audit Coordination and Followup Office of any unannounced visit or contact by external oversight organizations, Air Force Audit Agency, Naval Audit Service, or the Defense Contract Audit Agency. Notifications may be made by phone, e-mail, or correspondence.

3–2. Coordination with external oversight organizations

a. The HQDA principal officials, ACOMs, ASCCs, and DRUs will designate an audit focal point to coordinate with external oversight organizations. The audit focal point will be familiar with Army and DOD policies and procedures concerning relationships with external oversight organizations, provide staff advice and assistance, maintain related files, and coordinate entrance and exit conferences.

b. The USAAA Audit Coordination and Followup Office will distribute memorandums announcing the start of audits and reviews of Army activities. Representatives from the external oversight organizations normally will schedule an entrance conference to discuss the objectives of the review or audit, as well as the plan for conducting the engagement.

c. The HQDA principal official with primary interest in the review or audit conducted by the external oversight organization is responsible for obtaining necessary information from other Army elements. HQDA principal officials will—

- (1) Designate a project officer to work with the external oversight organization. Audit focal points may serve as

project officers, but it is recommend that individuals working in the functional area under review have this responsibility. The project officer will attend meetings, arrange contacts, ensure that replies are responsive and timely, and monitor corrective actions on deficiencies and monetary benefits.

(2) Coordinate the Army response to draft and final reports with the responsible Assistant Secretary of the Army and other interested HQDA principal officials.

(3) Provide replies to external oversight organizations and copies to the USAAA Audit Coordination and Followup Office.

3-3. Access to and release of information to external oversight or military Service audit organizations

a. Access to information includes permitting onsite review of information and providing copies of documents and extracts. Requests for access may be oral or written from representatives of the oversight or military Service audit organization conducting an authorized review, or they may be formal requests from the Comptroller General of the United States or DODIG.

b. Army activities will grant representatives of external oversight and military Service audit organizations access to classified information if the Army and DOD originated the information and is in possession of it, and the information is relevant to the performance of the statutory responsibilities of those offices.

c. Army activities will ensure that representatives of external oversight and military Service audit organizations have appropriate security clearances before disclosing classified information to them. The external organizations will certify the security clearance granted to their representatives in writing directly to the Army organization or installation visited. A list of names and social security numbers may be provided to the security office for verification in the Joint Personnel Adjudication System.

d. Army activities will provide information to GAO and DODIG according to guidance in DOD Instructions 7050.3 and 7600.02. Procedures for releasing certain records to GAO are in DOD Instruction 7650.4. For all other external oversight organizations or military Service audit organizations, Army activities will contact the USAAA Audit Coordination and Followup Office for instructions.

3-4. Replies to reports from external organizations

a. The USAAA Audit Coordination and Followup Office will forward draft audit reports it receives from external organizations to the HQDA principal official having primary interest for information, action, or response, as appropriate. If the external organization does not provide specific instructions and suspense dates, the Audit Coordination and Followup Office will provide them.

b. Army officials will immediately notify the USAAA Audit Coordination and Followup Office if they receive a draft audit report for comment directly from an external organization.

c. The GAO and DODIG may provide suspense dates for replies to draft reports. Army activities will meet these suspense dates to influence presentation of the final report and present the Army position on the report. GAO and DODIG may issue their reports without Army comments and state in the report that the Army did not provide comments if suspense dates are not met. GAO and DODIG may also state whether additional comments are required for final reports and provide a suspense date for the additional comments. Suspense dates for other external audit organizations will be in accordance with instructions accompanying the draft audit report.

d. Army activities will provide prompt, responsive, and constructive management comments to recommendations developed during the course of the review or audit, to the draft reports, and to the estimates of related monetary benefits. Army activities will use appendix B as a guideline for preparing the reply.

3-5. Resolution of disagreements with U.S. Government Accountability Office and Department of Defense Inspector General reports

a. The DODIG will facilitate the resolution of disagreements between DOD components concerning the appropriateness of proposed responses to GAO reports. If resolution at this level is not possible, DODIG will refer the dispute, along with pertinent documentation, to the Secretary of Defense or Deputy Secretary of Defense for final resolution.

b. If the Army's disagreements with final DODIG audit reports cannot be resolved, DODIG auditors will refer the issue to the Assistant Inspector General for Audit Followup and Technical Support, Office of the Deputy Inspector General for Auditing, DODIG, who will attempt to mediate the matter between the DODIG auditors and Army representatives. If opposing positions cannot be reconciled, the Assistant Inspector General will refer the issue to the Deputy Secretary of Defense for decision. The decision on contested issues will be a matter of record.

3-6. Report distribution

The USAAA Audit Coordination and Followup Office will forward the final report to the responsible HQDA principal official. The office will also list published audit reports in its weekly report on audit activity to the Army Staff. Army activities may obtain copies of the reports from the external oversight organization's Web site or request copies of the reports from the office.

3-7. Audit followup

a. The DODIG will follow up on agreements made in replies to GAO and DODIG reports. DODIG usually performs these followup efforts through written correspondence and may ask for supporting documentation confirming the implementation of agreed-to corrective actions.

b. The DODIG will coordinate the followup of these reports with the USAAA Audit Coordination and Followup Office. The office will, in turn, forward the request for information to the appropriate HQDA principal official.

c. The USAAA Audit Coordination and Followup Office will provide instructions to HQDA principal officials on how to respond to requests from DODIG or another external audit organization.

Appendix A References

Section I Required Publications

AR 25-55

The Department of the Army Freedom of Information Act Program. (Cited in para 1-9*h*.)

AR 380-5

Department of the Army Information Security Program. (Cited in para 1-6*d*.)

DOD Directive 7650.3

Followup on General Accounting Office (GAO), DOD Inspector General, and Internal Audit Reports. (Cited in para 2-21*a*.) (Available at <http://www.dtic.mil/whs/directives/>.)

DOD Instruction 7600.02

Audit Policies. (Cited in paras 1-6*b*(2), 3-3*d*.) (Available at <http://www.dtic.mil/whs/directives/>.)

DOD Instruction 7650.4

Procedures for Responding to General Accounting Office (GAO) and Comptroller General Requests for Access to Records. (Cited in para 3-3*d*.) (Available at <http://www.dtic.mil/whs/directives/>.)

Section II Related Publications

A related publication is merely a source of additional information. The user does not have to read it to understand this publication.

AR 1-20

Legislative Liaison

AR 11-2

Management Control

AR 195-1

Army Criminal Investigation Program

AR 195-2

Criminal Investigation Activities

AR 215-1

Military Morale, Welfare, and Recreation Programs and Nonappropriated Fund Instrumentalities

AR 335-15

Management Information Control System

AR 380-381

Special Access Programs (SAPs) and Sensitive Activities

DA General Orders No. 3 (9 July 2002)

Assignment of Functions and Responsibilities Within Headquarters, Department of the Army

DOD Instruction 7050.3

Access to Records and Information by the Inspector General, Department of Defense. (Available at <http://www.dtic.mil/whs/directives/>.)

DOD Instruction 7600.6

Audit of Nonappropriated Fund Instrumentalities and Related Activities. (Available at <http://www.dtic.mil/whs/directives/>.)

DOD Instruction 7750.6

Information Requirements for Semiannual Report to Congress. (Available at <http://www.dtic.mil/whs/directives/>.)

GAO-07-713G

Government Auditing Standards (July 2007 Revision). (Available at <http://www.gao.gov/>.)

Inspector General, DOD

Internal Audit Manual (October 1999). (Available at <http://www.dodig.mil/audit/>.)

OMB Circular A-50

Audit Followup. (Available at <http://www.whitehouse.gov/omb/circulars/>.)

Public Law 95-452

A bill to reorganize the executive branch of the Government and increase its economy and efficiency by establishing Offices of Inspector General within the Departments of Agriculture, Commerce, Housing and Urban Development, the Interior, Labor, and Transportation, and within the Community Services Administration, the Energy Research and Development Administration, the Environmental Protection Agency, the Federal Energy Administration, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veterans' Administration. (Available at <http://thomas.loc.gov/>.)

Public Law 103-355

A bill to revise and streamline the acquisition laws of the Federal Government, and for other purposes. (Available at <http://thomas.loc.gov/>.)

Section III

Prescribed Forms

This section contains no entries.

Section IV

Referenced Forms

Unless otherwise indicated, DA Forms are available on the APD Web site (<http://www.apd.army.mil>).

DA Form 11-2-R

Management Control Evaluation Certification Statement

DA Form 2028

Recommended Changes to Publications and Blank Forms

Appendix B

Format and Instructions for Responding to U.S. Army Audit Agency Reports

B-1. Purpose

This appendix provides instructions and presents an example (which does not portray an actual audit situation) of a reply to a USAAA recommendation. Because USAAA will include a verbatim copy of the reply in its report, Army activities will use official letterhead.

B-2. Identifying data

Identify the project (if reply is to a draft report) or report number (if reply is to a final report), objective or alpha designator for the objective, and title of the objective.

B-3. Objective

This information is optional. If used, copy the objective verbatim.

B-4. Conclusion

The complete conclusion paragraph in the report may be used, although a brief statement of the conclusion is sufficient.

B-5. Additional comments

Providing additional comments is optional except when the conclusion identifies or discusses unimplemented recommendations.

a. Responding activities may provide additional comments if the activity believes they are necessary to present matters more clearly or in a better perspective.

b. If the conclusion identifies or discusses unimplemented recommendations, this paragraph is a mandatory part of the response to explain why actions were not taken or the condition continues to exist.

B-6. Recommendation

Activities responding to the recommendation will copy each applicable recommendation verbatim, including the same designation of the objective used in the report.

B-7. Action taken

The command reply will—

a. State explicitly whether the activity agrees or does not agree with the recommendation. This statement will immediately follow the recommendation.

b. Explain the reasons for any disagreement and provide enough details to allow the HQDA principal official to evaluate the positions of USAAA and the audited activity and to develop an official Army position.

c. Describe the corrective actions planned or taken, or alternative actions to correct the problem.

d. Provide dates the activity took or completed corrective actions, or target dates for planned actions.

e. Provide justification when the activity cannot complete corrective action within 12 months. In these instances, the activity will provide interim target dates for the intermediate phases of the plan and the final completion date for the entire corrective action plan.

B-8. Potential monetary benefits

Activities responding to the recommendation will explicitly agree or disagree with the reasonableness of USAAA's estimate of potential monetary benefits. Activities will include alternative estimates, if applicable. Activities will explain the reason for disagreements or alternative estimates of potential monetary benefits in sufficient detail to allow the HQDA principal official to recommend an HQDA position on the potential monetary benefits.

B-9. Example of a command reply

This reply would be an enclosure to a cover memorandum using the official Army letterhead for the activity (see fig B-1, below).

Project: A-2005-PMO-0945.000
Audit Location: Alexandria, VA
Objective Designation: B
Objective Title: Temporary Disability Payments

Objective:

Were personnel receiving temporary disability retirement pay eligible to receive such pay?

Conclusion:

No. The Army paid temporary disability retired pay to individuals who weren't eligible to receive this pay because it didn't establish procedures to suspend temporary retired pay when individuals failed to report for required periodic physical examinations. The law requires the Military Services to suspend or end temporary disability retired pay if individuals fail to report for a periodic physical examination to confirm the continued existence of the physical disability.

Of the 5,000 individuals on the physical disability list for the period ended 31 July 2005, we identified 2,500 individuals who didn't take a required periodic physical and, consequently, weren't entitled to continue to receive disability pay. If it doesn't establish procedures to suspend disability pay for these individuals immediately, the Army could pay at least \$2.5 million to individuals who are no longer eligible to receive disability pay.

Additional comments:

If provided, the additional comments would be specific to address issues that might offer a different perspective.

Recommendation(s):

Recommendation B-1. Establish procedures to identify individuals who have not taken a required periodic physical examination and to suspend physical disability pay if the individual does not report for a required periodic physical examination.

Action taken or planned:

Concur. The Army began automating the process for managing the physical disability examination process in January 2006. Under the new process, the Army notifies each individual 90 days before the scheduled examination date. Notifications include a warning that the Army will end physical disability pay within 30 days if the individual does not report for the periodic examination. If individuals don't report for the examination, the Army will provide the proper notification and suspend the temporary disability retirement pay within 30 days of the missed physical examination. The automated process is scheduled to be fully operational by 31 December 2006.

In November 2005 the Army also began suspending the pay for the individuals identified during the audit. The Army is in the process of identifying all individuals not eligible for temporary retirement payments and should eliminate any suspension backlogs by 31 July 2006.

Figure B-1. Example of a command reply

Potential monetary benefits:

Concur with the USAAA estimate of potential monetary benefits. Based on suspensions to date, about 90% of the individuals identified during the audit were no longer eligible to receive disability pay. This percentage exceeded USAAA's estimate, and we fully expect that the estimated amount of \$2.5 million in savings will be realized.

Figure B-1. Example of a command reply—Continued

Appendix C

U.S. Army Audit Agency System for Information Storage and Transmission Management Elements and Use

C-1. Purpose

To facilitate the tracking of corrective actions and semiannual reporting, USAAA developed a module in its information management system (called AAAsist) to track the status of corrective actions for each recommendation and reported potential monetary benefits.

C-2. Granting access to U.S. Army Audit Agency System for Information Storage and Transmission

The USAAA Audit Coordination and Followup Office will grant access and provide the Web address to audit focal points.

C-3. Data elements and definitions

- a. Status code.* This field indicates the status of the recommendation.
- b. Revised target date.* This field identifies a new target date for completing the corrective action. If a followup audit shows that a recommendation is unimplemented or not fully implemented, USAAA will change the status to unimplemented in AAAsist, and the audit focal point will report the recommendation as being unimplemented and establish a new target date for completion. If appropriate, audit focal points will report any adjustment of related potential monetary benefits (decided potential monetary benefits cannot change) to USAAA.
- c. Implementation date.* This is the date when the audited activity completed the corrective action.
- d. Command amount.* This is the amount of monetary benefits command determined that it realized from completing the corrective action. If the recommendation remains unimplemented, no entry is required.
- e. Comments.* Explain significant slippages (more than 6 months) from the original estimated completion dates. Also explain other adjustments, such as showing that command realized more (or less) monetary benefits than it previously reported as identified during followup.

Appendix D

Internal Control Evaluations for the Audit Planning, Execution, and Reporting Process

D-1. Function

The function to be evaluated is audit planning, execution, and reporting. This function will be evaluated every three years by an external peer review team. External peer reviews are required by GAGAS. The external peer review teams conduct the peer reviews using standards developed by the President's Council on Integrity and Efficiency.

D-2. Key management controls

The external peer review evaluates all controls associated with the audit process, including the key internal controls relating to—

- a. Auditor qualifications and independence.*

- b. Audit planning and fieldwork.
- c. Audit reporting.
- d. Quality assurance program.

Appendix E

Internal Control Evaluation Checklist for Audit Liaison

E-1. Function

The function covered by this checklist is audit liaison.

E-2. Purpose

The purpose of this checklist is to assist Army and USAAA managers, as appropriate, in evaluating key internal controls. It is not intended to cover all controls.

E-3. Instructions

Base answers on tests of the key internal controls (for example, document analysis, direct observation, and sampling). Explain answers that indicate deficiencies and provide supporting documentation on any corrective actions. Evaluate these controls at least once every 3 years. Test questions apply to audit focal points or the USAAA Audit Coordination and Followup Office as indicated. Complete DA Form 11-2-R (Management Control Evaluation Certification Statement) to certify that the evaluation was conducted.

E-4. Test questions

a. Audit focal points.

- (1) Are command groups and activities notified promptly of surveys, reviews, and impending audits?
- (2) Are suspense dates established and monitored to ensure a timely response to draft reports?
- (3) Have reports been distributed to the command group, activities responsible for corrective action, and other concerned activities?
- (4) Have specific target dates been assigned for implementing corrective actions on deficiencies?
- (5) Are all replies reviewed to ensure that the command position is complete and responsive and potential monetary benefits are reasonable?
- (6) Have addressees taken prompt, corrective action on agreed-to recommendations in the audit report?
- (7) Is status of unimplemented recommendations and monetary benefits (including the target implementation date) accurately reported to USAAA in a timely manner (including update of the AAAsist module, if used)?

b. USAAA Audit Coordination and Followup Office.

- (1) Were the HQDA principal officials and audited activities notified promptly of surveys, reviews, and impending audits?
- (2) Were final reports distributed appropriately and promptly to responsible HQDA principal officials and audited activities?
- (3) Are procedures in place to use the AAAsist module to track the status of corrective actions and identify recommendations failing to meet target implementation dates?
- (4) Are procedures adequate to ensure that a final decision is made within 6 months of the publication date of the report?
- (5) Are procedures adequate to identify significant recommendations and potential monetary benefits to schedule for verification?
- (6) Are procedures adequate to ensure that unimplemented recommendations are identified and other information included in semiannual reports is accurate?

E-5. Supersession

This checklist replaces the checklist for Audit Report processing and followup previously published in AR 36-2, dated 26 April, 1991.

E-6. Comments

Help to make this a better tool for evaluating internal controls. Submit comments to U.S. Army Audit Agency (SAAG-PMO).

Glossary

Section I

Abbreviations

AAAsist

U.S. Army Audit Agency System for Information Storage and Transmission

ACOM

Army Command

ASCC

Army Service Component Command

DA

Department of the Army

DOD

Department of Defense

DODIG

Department of Defense Inspector General

DRU

Direct Reporting Unit

GAGAS

Generally Accepted Government Auditing Standards

GAO

Government Accountability Office

HQDA

Headquarters, Department of the Army

OMB

Office of Management and Budget

USAAA

U.S. Army Audit Agency

Section II

Terms

Addressee

The addressee is an activity where an audit agency directs recommendations in audit reports. The activity is also responsible for taking or directing any corrective actions.

Generally accepted Government auditing standards

Standards and guidance issued by the Comptroller General of the United States for use by Government auditors to ensure that they maintain competence, integrity, and independence in planning, conducting, and reporting their work. Commonly referred to as generally accepted Government auditing standards, these standards are published by the Comptroller General of the United States in Government Auditing Standards, or what is commonly referred to as the "Yellow Book."

Headquarters, Department of the Army principal official

For the purpose of this regulation, HQDA principal official refers to the individual or group of individuals responsible for setting policy for, or making decisions about, a functional area.

Time-sensitive issue

Situations demanding immediate action to prevent, correct, or reduce a serious problem that cannot be addressed

expeditiously enough by normal audit reporting methods. The originating audit organization requests management comments in a timeframe that allows elevation of the matter to higher authority before an adverse effect occurs if a responsive reply is not received.

Undecided recommendations

Management has not yet commented on a DOD audit organization's final findings, recommendations, or estimated potential monetary benefits, or does not agree, and the DOD audit organization does not agree with the management position. This term also applies when management and the DOD audit organization are attempting to resolve disagreements at lower levels, or the disagreement is submitted to a senior official for decision.

Unimplemented recommendations

Not all the actions that USAAA and Army management agreed were necessary to correct a deficiency addressed in the recommendation have been completed.

Section III

Special Abbreviations and Terms

This section contains no entries.

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