



Headquarters
Department of the Army
Washington, DC
14 August 2023

***Army Regulation 36–2**

Effective 14 September 2023

Audit

Audit Services in the Department of the Army

By Order of the Secretary of the Army:

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General, Acting United States Army
Chief of Staff

Official:


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Administrative Assistant to the
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History. This publication is a major revision. The portions affected by this major revision are listed in the summary of change.

Authorities. The authorities for this regulation are 10 USC 7013, 10 USC 7014, DoDI 7600.02, and DoD Manual 7600.07.

Applicability. This regulation applies to the Regular Army, the Army National Guard/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 Army 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 within 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 formal 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 his or her higher headquarters to the policy proponent. Refer to AR 25–30 for specific requirements.

Army internal control process. This regulation contains internal control provisions in accordance with AR 11–2 and identifies key internal controls that must be evaluated (see appendix B).

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 Army Auditor General (SAAG–ZAZ), 6000 6th Street, Building 1464, Fort Belvoir, VA 22060–5609 or with this email address, usarmy.pentagon.hqda-aaa.mbx.acfo@army.mil.

Distribution. This publication is available in electronic media only and is intended for the Regular Army, the Army National Guard/Army National Guard of the United States, and the U.S. Army Reserve.

*This regulation supersedes AR 36–2, dated 30 October 2015.

SUMMARY of CHANGE

AR 36–2

Audit Services in the Department of the Army

This major revision, dated 14 August 2023—

- Updates relations with auditor to include audited activities providing audit organization full access to all information systems and data (para 1–7c).
- Updates strategic-level planning to include the requirement for Army commands and activities to provide continuous access to information systems to support the development of the Army's Internal Audit Plan and individual audits (para 2–3).
- Updates inprocess reviews to include encouraging Army clients to take actions during the audit as soon as they are aware of the issues identified (para 2–8).
- Adds a requirement for the U.S. Army Audit Agency to obtain command's position on all reports including those without recommendations or potential monetary benefits (para 2–9a).
- Updates reply process for the U.S. Army Audit Agency reports, including information for "format and instructions for responding to audit reports" (para 2–12b(2)).
- Adds a requirement for commands to update the status of recommendations every 6 months (para 2–19c).
- Updates information for how audit focal points will notify the U.S. Army Audit Agency of updates to the status of agreed-to recommendation(s) (para 2–19d).
- Updates the requirement for audited activities to maintain documentation (para 2–19f).
- Updates replies to reports from external oversight organizations (para 3–4e).
- Updates Audit Followup (para 3–7d).

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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 U.S. Army and for responding to audit and attestation engagements by the 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 the Department of Defense Inspector General (DoDIG). This regulation also discusses external audits and reviews that may be conducted by the Government Accountability Office (GAO), DoDIG, Special Inspectors General, and commercial audit firms.

1–2. References, forms, and explanation of abbreviations

See appendix A. The abbreviations, brevity codes, and acronyms (ABCAs) used in this electronic publication are defined when you hover over them. All ABCAs are listed in the ABCA database located at <https://armypubs.army.mil/abca/>.

1–3. Associated publications

This section contains no entries.

1–4. Responsibilities

See section II of this chapter.

1–5. Records management (recordkeeping) requirements

The records management requirement for all record numbers, associated forms, and reports required by this publication are addressed in the Records Retention Schedule–Army (RRS–A). Detailed information for all related record numbers, forms, and reports are located in Army Records Information Management System (ARIMS)/RRS–A at <https://www.arims.army.mil>. If any record numbers, forms, and reports are not current, addressed, and/or published correctly in ARIMS/RRS–A, see DA Pam 25–403 for guidance.

1–6. Authority

a. The Army Auditor General (AAG), in accordance with functional responsibilities delegated by the Secretary of the Army (SECARMY), exercises sole responsibility for the conduct of the audit function in the Army or in programs funded by the Army. The AAG reports to the SECARMY and is responsible to the SECARMY for the operational performance of the USAAA (see 10 USC 7013 and 10 USC 7014). The USAAA is the Army's internal audit organization.

b. The AAG heads the USAAA and has audit responsibility for all functions and elements of the Army. USAAA is the only Army organization or activity authorized to conduct Armywide audits within the Army. The AAG may allow contracting for auditing services.

c. USAAA's mission statement: "As an integral part of the Army team, we serve the Army's evolving needs by helping Army leaders assess and mitigate risk and by providing solutions through independent internal auditing services, for the benefit of Army Soldiers, Civilians, and Families."

1–7. 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 AAG 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 these standards, commonly referred to as the “Yellow Book,” is available at the GAO website (<https://www.gao.gov>).

(2) See DoDI 7600.02.

(3) See DoDI 7600.06.

c. Audited activities will provide information that is factual, accurate, and representative of the situation being assessed. Audited activities won’t unreasonably delay the progress of the audit when providing this information or while setting up entrance conferences or site visits. Audit organizations will have full access to all personnel, facilities, records, reports, information systems, data, 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. Army commands (ACOMs) and activities should provide continuous, read-only access to key Army information systems and data (this material includes letters, memorandums, endorsements, reports, memorandums for record, contingency plans, relevant working papers, as well as documents and media of any type, including automated or electronic records and systems with any needed associated passwords). Audited activities won’t require written requests for access to materials, personnel, or site visits unless they’re needed for clarification. USAAA auditors will comply with and follow Army policies for safeguarding access and data.

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 isn’t 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 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 don’t 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 (see para 2–12).

j. Army activities will assign individuals, referred to as audit focal points, to provide assistance to USAAA and 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 DA policy. All disagreements between management and auditors will be decided within 6 months from the date of the final audit report (see Public Law 103–355, as amended, and Office of Management and Budget (OMB) Circular A–50).

Section II

Responsibilities

1–8. Headquarters, Department of the Army principal officials

HQDA principal officials will—

- a. Request audit service when needed (see para 2–4).
- b. Obtain the AAG'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 (ACFO) (SAAG–ZBA) through email at usarmy.pentagon.hqda-aaa.mbx.acfo@army.mil.
- d. Cooperate with and fully support auditors by responding to audit requests and assisting 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. Provide the official Army position on findings, conclusions, recommendations, and potential monetary benefits as the Office of Primary Responsibility (OPR).
- 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.

1–9. Under Secretary of the Army

The USA will—

- a. 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.
- b. Review, approve, and sign replies to recommendations from external audit organizations made to the SECARMY.

1–10. Vice Chief of Staff of the Army

The VCSA will—

- a. Adjudicate disagreements between management and USAAA on issues involving audits and attestation engagements of Army Staff functions that cannot be resolved otherwise.
- b. Approve and sign replies to recommendations from external audit organizations made to the SECARMY.

1–11. The Army Auditor General

The AAG 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 services to all levels and functions throughout the Army covering issues and subject matters relevant to the Army.
- d. Assist top managers of the HQDA, 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 services and provide technical guidance and oversight of audits performed under contract.
- f. Serve as the Army liaison for the coordination of all audit matters with the Council of the Inspectors General on Integrity and Efficiency, GAO, DoDIG, Special Inspectors General, U.S. Air Force Audit Agency, Naval Audit Service, and other oversight organizations.
- g. Oversee the effective execution of the Army command reply process and audit followup program, to include coordinating with HQDA principal officials, 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, and in accordance with procedures in AR 25–55, when the records relate to audits or operations of USAAA. This authority extends to portions of the published reports that reprint comments submitted by other organizations during the command-reply process.

1–12. Chief of Legislative Liaison

The CLL will—

- a.* Act as the central point of contact for all congressional requests in accordance with AR 1–20.
- b.* 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. Director, U.S. Army Criminal Investigative Division

The Director, USACID will—

- a.* Investigate allegations of criminal misconduct within command’s investigative authority in compliance with AR 195–2, and applicable DoD policy.
- b.* Receive referrals from USAAA on potential fraud, abuse, or misconduct, and report back significant trends and findings resulting from the referral.

1–14. Commanders of Army commands, Army service component commands, and direct reporting units

Commanders of ACOMs, ASCCs, and DRUs have the same responsibilities as HQDA principal officials except for providing the official Army position discussed in paragraph 1–8*f*.

1–15. Audit focal points

Audit focal points will—

- a.* Serve as points of contact for all USAAA, GAO, DoDIG, Special Inspectors General, and other external oversight organizations on audit and attestation engagement matters.
- b.* Report contact information to the USAAA ACFO (SAAG–ZBA) through email at usarmy.pentagon.hqda-aaa.mbx.acfo@army.mil.
- c.* Receive audit and attestation engagement announcements, coordination requests, audit and attestation 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; ensure command responses appropriately comment on the need for classification or protective markings; and assist in the preparation of command replies to ensure they’re responsive and timely (see para 2–12).
- d.* Report the implementation status of USAAA recommendations and respond to requests on the status of GAO, DoDIG, and Special Inspectors General recommendations.

1–16. Army Internal Review personnel

The Assistant Secretary of the Army (Financial Management and Comptroller) has HQDA staff responsibility for the Internal Review Program, as explained in AR 11–7. Individual commanders may designate an internal review function that includes auditors to ensure the preservation and proper use of resources. This audit responsibility is separate and distinct from the authority delegated to the AAG and implemented in this regulation. Internal review personnel are responsible for conducting engagements within their command structure that include, but aren’t limited to, reviews, financial statement audit readiness, sustainment, and internal and followup audits (including USAAA audit recommendations). They may also serve as audit focal points. Internal Review personnel won’t conduct Armywide audits or audit other Army organizations.

1–17. Managers responsible for implementing recommendations

Managers at activities responsible for implementing recommendations will prepare timely replies and take 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.

1–18. External peer review

Every 3 years, an external peer review team will evaluate USAAA's audit planning, execution, and reporting in accordance with GAGAS. The external peer review team conducts its peer review using standards developed by the Council of the Inspectors General on Integrity and Efficiency. The external peer review evaluates all controls associated with the audit process, including the key internal controls relating to the following:

- a. Auditor qualifications and independence.
- b. Audit planning and fieldwork.
- c. Audit Reporting.
- d. Quality assurance program.

Chapter 2

U.S. Army Audit Agency

Section I

Internal Audit Service

2–1. Functions

a. USAAA conducts the internal audit program within the Army. USAAA is a field operating agency that reports to The AAG. The AAG has an operations center and field offices located throughout the continental United States, Europe, Korea, and Hawaii.

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

c. 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 AAG, USAAA auditors may provide other services, such as offering routine advice and assistance, as well as conducting analyses and compilation reviews. Auditors will sometimes provide audit assistance for criminal investigations at the request of the investigating officials.

d. 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 DoDI 7600.06, AR 215–1, 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. The Commander, U.S. Army Installation Management Command, which is responsible for Army Family, and Morale, Welfare, and Recreation programs, 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 AAG retains oversight responsibility and may initiate a review of the work conducted under these contracts.

g. USAAA won't provide direct audit support to federally sanctioned, affiliated, or other independent private organizations, except for audits involving potential fraud, other serious improprieties, or audits required by statute.

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

Auditors and audit organizations perform audit and attestation engagements in accordance with GAGAS. A summary of the engagement process follows:

a. Strategic-level planning.

- (1) USAAA uses a risk assessment framework to review the Army's corporate strategic documents.
- (2) USAAA coordinates with Army leaders annually to develop the Army's Internal Audit Plan (IAP).
- (3) USAAA publishes the Army's IAP and monitors its status throughout the year.

b. Planning the engagement.

(1) USAAA contacts audit focal points and gathers information and data to help plan the audit and identify locations.

- (2) USAAA holds entrance conference(s) with command officials.

c. Performing the engagement.

- (1) Auditors visit command sites and gather evidence to answer the audit objectives.
- (2) USAAA holds inprocess reviews with Army clients.

d. Reporting engagement results.

(1) Auditors summarize the results of the audit, draw conclusions, make recommendations, and estimate associated potential monetary benefits.

- (2) USAAA holds exit conference(s) at the audit sites at the request of command officials.

e. Replying to and publishing reports.

(1) Auditors issue a draft report to command officials.

(2) Auditors and audit focal points work toward obtaining command comments on the audit's conclusions, recommendations, and potential monetary benefits.

- (3) HQDA principal officials establish the official Army position.

- (4) USAAA publishes and distributes the final audit report.

f. Following up on recommendations.

- (1) Audit focal points monitor the status of agreed-to-command actions.
- (2) Activities take corrective actions.
- (3) USAAA tracks the status of unimplemented recommendations and conducts followup audits of select recommendations.

Section II

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

2–3. Strategic-level planning

USAAA uses a strategic audit planning process to identify audits that would be most relevant to the Army. The process involves applying a risk-based framework in reviewing the Army's corporate strategic planning documents (such as The Army Plan, The Army Strategy, Army Posture Statement, and Army Campaign Plan), combined with extensive communication with Army leaders for input and to develop the Army's IAP. USAAA submits the Army's IAP to the SECARMY for signature and approval. The strategic audit planning process is continuous, and USAAA monitors the status of the strategic audit planning process execution throughout the year. USAAA leaders evaluate, prioritize, and adjust the IAP to allocate USAAA's resources to audits that provide maximum benefit to the Army. ACOMs and activities should provide continuous, read-only access to key Army information systems and data to support developing the IAP. Continual access to systems and data also supports individual audits by eliminating delays that may occur with requests for system access or specific data. Additionally, some audits support Army criminal investigations, making it essential for auditors to obtain data without involving command personnel. USAAA auditors will comply with and follow Army policies for safeguarding access and data.

2–4. Requests

USAAA may schedule and perform audits and attestation engagements under the authority of the AAG or base them on requests from HQDA principal officials, ACOMs, ASCCs, DRUs, and other Army activities. USAAA is flexible in adding and canceling audits as priorities change within the Army. The AAG is the authority for determining the need for and the timing of audits. To request an audit or an attestation engagement, an individual will submit a request directly to the program director for the function, if known, or to the USAAA Strategic Audit Planning Office at usarmy.pentagon.hqda-aaa.mbx.sapo@army.mil.

2–5. Schedule of engagements

a. The Army's IAP is available upon request from the USAAA Freedom of Information Act liaison by email at usarmy.pentagon.hqda-aaa.list.aaa-foia-liaison@army.mil.

b. USAAA will coordinate with audit focal points and notify commands and activities of its planned audits and attestation engagements to the greatest extent possible before entrance conferences 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 or attestation engagement. The activity being audited may waive advance notification requirements and request that the audit or attestation engagement start sooner.

Section III

Performing the Engagement

2–6. Fieldwork

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

b. USAAA will evaluate the 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 1–7c.

2–7. Fraud and illegal acts

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. Inprocess reviews

Throughout the engagement, USAAA will keep Army clients aware of results through informal discussions or formal briefings. USAAA may conduct inprocess reviews to discuss progress. During the inprocess review, USAAA will give the client an opportunity to provide input on the auditors' approach and tentative results. Army clients are encouraged to start taking action to address conditions identified during the audits as soon as they become aware of the issues.

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 potential monetary benefits, if applicable, as well as planned corrective actions. Even though a report may not include recommendations or potential monetary benefits, USAAA will still seek and include the addressee's position in the report. USAAA will provide a draft report to all organizations included in the audit without recommendations.

b. The findings, conclusions, recommendations, and potential monetary benefits USAAA submits to the organization responsible for implementing recommendations for comment are draft and don't represent the official Army position. Draft documents won't be released outside the Army without the approval of USAAA's Office of Counsel (SAAG–GCZ).

c. USAAA will request that the addressee or 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 doesn't require a classification or protective marking, the organization will state that a classification or protective marking isn't required.

2-10. Exit conference

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, as well as 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, addressees or 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, including the following:
 - (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 process.
 - (5) Improving procedures that enable the activity to accomplish a function more efficiently.
- b. 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 the ASA (Financial Management and Comptroller); Deputy Chief of Staff, G-8 Program Analysis and Evaluation; the Army Budget Office; and DoDIG for inclusion in the semiannual report to the Congress.

Section V

Replying to and Distributing Reports

2-12. 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. Even though a report doesn't include recommendations or potential monetary benefits, USAAA will still seek and include the addressee's position in the report. 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 command comments, if necessary. 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 the findings, conclusions, recommendations, or potential monetary benefits. If the organization or organizations disagree, then the process for developing the official Army position will determine what action they will take (see para 2-12c). If commanders and managers don't agree with findings, conclusions, recommendations, or potential monetary benefits, they should avoid taking actions until disagreements are resolved.
- b. *Command-reply process.*

(1) The addressee must explicitly agree or disagree (that is, concur or nonconcur) with the findings, conclusions, recommendations, and, if applicable, corrective actions taken during the audit and any potential monetary benefits. To request an example of a command reply, contact USAAA ACFO at usarmy.pentagon.hqda-aaa.mbx.acfo@army.mil. The reply will—

(a) Address the issues presented in the report, be responsive, and provide a corrective action plan with target dates to correct deficiencies. To be responsive, command must provide its position on the facts, conclusions, and any potential monetary benefits related to the recommendations.

(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 2–13). 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 HQDA principal officials with primary interest in the audit will prepare his or her reply on official letterhead. USAAA final audit reports will include a verbatim copy of management replies. Activities responding to the recommendation will copy each applicable recommendation verbatim. The reply format is as follows:

(a) The command reply will—

(b) State explicitly whether the activity concurs, concurs with comment, or nonconcur with the recommendation. This statement will immediately follow the recommendation.

(c) Explain briefly the reasons for any disagreement and provide enough details to allow the OPR to prepare an official Army position.

(d) Briefly describe the corrective actions planned or already taken, or alternative action to correct the problem.

(e) Provide dates the activity took or completed corrective actions, or target dates for planned actions.

(f) 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.

(g) Explicitly concur, concur with comment, or nonconcur with the reasonableness of the estimate of potential monetary benefits, as applicable. Army activities will include alternative estimates, if warranted. Army activities will explain the reason for disagreements or alternative estimates of potential monetary benefits in sufficient detail to allow the OPR to prepare an official Army position on the potential monetary benefits.

(h) 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 aren't 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.

(i) In the final audit report, USAAA may summarize the command replies after each recommendation and include the verbatim comments from the addressees and higher level activities in an annex to the report. If the report doesn't include recommendations or potential monetary benefits, USAAA will still seek and include the addressee's position in the report. The comments don't constitute the official Army position until they've been coordinated with HQDA principal officials (see para 2–12c).

c. Official Army position.

(1) An official Army position will be established for each USAAA report associated with engagements conducted in accordance with GAGAS. The HQDA principal officials with primary responsibility for the program, process, or policy will provide the official Army position except for those recommendations requiring adjudication in accordance with paragraph 2–13. The OPR provides the official Army position explicitly when the official provides a response to USAAA. The OPR 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 the lower level command and agreed-to by the higher level command is the official Army position. To request an example of an official army position reply, contact USAAA ACFO at usarmy.pentagon.hqda-aaa.mbx.acfo@army.mil.

(2) To provide the official Army position, the OPR 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. When recommendations are addressed to the OPR, the OPR reply will serve as the official Army position.

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

(a) *Addressees are in full agreement with the draft report.* USAAA will simultaneously process a report with all concurrences to higher level commands and cognizant HQDA principal officials. The OPR will provide the official Army position explicitly or implicitly within 30 calendar days. If the OPR provides an explicit response, the written response from this official will become the official Army position. If the OPR declines to reply or doesn't 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.* 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 OPR for official comment. If the OPR endorses the revision, the endorsement becomes the official Army position in the final audit report. If the OPR doesn't 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 doesn't 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 OPR. The OPR will evaluate the USAAA and higher level command responses and develop an Army position within 30 calendar days. If the OPR agrees with USAAA, the position from this official becomes the official Army position. If the OPR doesn't provide a response within 30 calendar days, USAAA may consider continuing to work with the OPR to resolve the disagreement before using the resolution process; using the resolution process and awaiting the results before publishing the report; publishing the report without an official Army position while using the resolution process; or publishing the report without an official Army position (see para 2–13).

2–13. Resolution process

a. *General.* USAAA and the OPR will make a reasonable effort to resolve disagreements with draft reports through informal meetings involving the audited or responsible activity and higher level commands. If these efforts aren't successful, USAAA will proceed to the formal mediation and adjudication process described in paragraphs 2–13b and 2–13c. 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, USAAA ACFO will attempt to mediate the disagreement between the USAAA audit team and the OPR. If a mediation meeting is held and USAAA and the OPR resolve their differences, USAAA ACFO will prepare a memorandum, signed by appropriate representatives from USAAA and the OPR, documenting the agreement reached through mediation. This document establishes the official Army position for the disputed issues in the report.

c. *Adjudication.* If a disagreement isn't resolved through mediation, USAAA will continue processing the report to the USA or the VCSA, as appropriate, for adjudication. The USA will adjudicate disagreements between USAAA and the Secretariat functions and the VCSA will adjudicate disagreements

between USAAA and members of the Army staff (see paras 1–9 and 1–10). In accordance with a memorandum of understanding, if the official Army position isn't 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.

2–14. Release of audit-related documents outside the Army

Audit-related documents (such as draft reports and command replies) connected to the command-reply process are used to formulate the official Army position on audit reports. Except for the official Army position memorandum, the documents don't represent the final Army position and aren't releasable outside the Army, except by the office of the AAG. All requests for release of audit-related documents to organizations outside the Federal Government or to private individuals will be referred to USAAA's Office of Counsel (SAAG–GCZ).

2–15. Time-sensitive issues

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

b. 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 it 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 2–13. However, USAAA may elevate issues directly to the USA or the VCSA if sufficient time isn't available for normal or time-sensitive procedures.

2–16. Report distribution

a. Except for classified reports and reports requiring special handling, USAAA will distribute reports in electronic format to the following:

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

b. USAAA will notify Army activities weekly about published reports. USAAA will post its unclassified reports to the USAAA website (available at <https://armyeitaas.sharepoint-mil.us/sites/hqda-aaa-extra-net/sitepages/aaa%20audits.aspx>) after establishment of an official Army position. The USAAA website is available to military domains and GAO only. Other activities can request copies of USAAA reports by contacting the USAAA ACFO (SAAG–ZBA) through email at usarmy.pentagon.hqda-aaa.mbx.acfo@army.mil.

Section VI

Followup on Auditor Recommendations

2–17. Guidelines

a. 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. HQDA principal officials, ACOMs, ASCCs, and DRUs take action to implement the corrective actions they agreed to perform or that the official Army position directed and will implement followup systems to control, monitor, and report on corrective actions pertaining to audit recommendations and potential monetary benefits (see paras 2–18 and 2–19). 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 ACFO tracks the status of audit recommendations and potential monetary benefits. Audit focal points will—

- (1) Provide updates to USAAA as corrective actions are completed, implementation target dates are changed, or milestones are met.
- (2) Maintain documentation to support that corrective actions were taken.
- (3) Submit supporting documentation and requests for closure of audit recommendation(s).

2–18. Followup system

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

b. Activities responsible for taking corrective actions will report to their audit focal points when they complete corrective actions and whether they achieved monetary benefits (see para 2–19c). 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 implementation target dates as soon as that becomes known and provide audit focal points with new implementation target dates and justification for reestablishing implementation target dates as soon as they become known.

c. Audit focal points will monitor the status of corrective actions at those activities responsible for taking corrective action. When the responsible activity cannot meet established implementation target dates, it will provide the audit focal points with revised implementation target dates. Management officials of the responsible activity and audit focal points will continue to monitor recommendations when analysis shows that agreed-to actions weren't taken or corrective actions weren't effective. In these situations, audit focal points won't report actions as complete and will obtain new implementation target dates from the responsible activity. Audit focal points will notify ACFO of any revised implementation target dates.

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

e. Internal review personnel may conduct followup audits to verify that their command took corrective action pursuant to USAAA audit recommendations.

2–19. Status of corrective action(s)

a. Activities responsible for taking corrective action(s) 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 haven't been corrected.

b. Monetary benefits are reported as realized 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 isn't 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.

c. Audit focal points will notify USAAA of updates to the status of agreed-to recommendations at a minimum, every 6 months until management corrective actions are complete.

d. To facilitate the tracking of the corrective actions and semiannual reporting, USAAA developed a project management system to track the status of corrective actions for each recommendation and the reported potential monetary benefits, if applicable. The status codes of recommendations are as follows:

- (1) *Unimplemented–action in process.* Management officials are taking corrective action to implement the recommendation and resolve the problem.
- (2) *Requested closure.* Management officials have submitted a closure request memorandum and supporting documentation to USAAA/DoDIG/GAO to review.
- (3) *Not implemented overcome by events.* The recommendation was overcome by events, and management officials will take no further action to implement the recommendation.
- (4) *Implemented–action completed.* Management officials took corrective actions to fully implement the recommendation, and the recommendation is eligible for a followup audit to verify that the corrective actions taken corrected the problem.

(5) *Closed*. USAAA has verified that the Army took corrective action(s) and the problem has been corrected or has been notified by DoDIG or GAO that action taken was sufficient to close the recommendation.

e. Implementation dates will be as follows:

(1) *Original implementation target date*. Original date the recommendation addressee provided to complete the corrective action(s). Recommendation addressees set this target date in the reply to the report, and this date is tracked to identify overdue recommendations.

(2) *Revised implementation target date*. New implementation date for completing the corrective action(s). Commands are responsible for monitoring and providing regular status updates for all open recommendations (at a minimum, every 6 months).

f. If a followup audit subsequently shows that a recommendation is unimplemented or not fully implemented, USAAA will revert the status of the original recommendation back to Unimplemented–Action Inprocess, and the audit focal point will establish a revised implementation target date. If appropriate, audit focal points will report any adjustment of related potential monetary benefits (decided potential monetary benefits cannot change) to USAAA. Audit focal points will again report the recommendation as completed when managers provide confirmation closure request and supporting documentation, even if USAAA hasn't verified completion by a subsequent followup audit.

g. The HQDA principal officials, ACOMs, ASCCs, and DRUs must maintain supporting documentation of management officials' corrective actions taken for at least 5 years after implementation of the last recommendation in the report, and will make that documentation readily available to audit organizations.

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

USAAA may conduct followup audits to verify that management officials took corrective action(s) to implement audit recommendations. USAAA will issue a report containing the results of the followup audit and conclusions as to whether the activity took corrective action(s) and whether 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 activities' followup system. If USAAA finds that the system isn't 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 DoDI 7650.03 and DoDI 7750.06, USAAA is required to report to DoDIG semiannually the status of management's corrective actions resulting from USAAA audit reports. The semiannual followup status report covers the 6-month periods ending 31 March and 30 September, respectively. DoDIG may use this information in its reports to Congress in accordance with Public Law 95–452.

b. USAAA will 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 ACFO 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 within the Army must be coordinated with this office.

b. The USAAA ACFO will notify audit focal points of planned reviews and audits by external oversight organizations. After this notification, the oversight organization coordinates directly with the audited activity.

c. Army activities will promptly notify the USAAA ACFO of any unannounced visit or contact by external oversight organizations, such as GAO, DoDIG, Defense Contract Audit Agency, U.S. Air Force Audit Agency, Naval Audit Service, and other Special Inspectors General. Notifications may be made by telephone, email, or correspondence.

d. The Audit Management Division of Washington Headquarters Services (WHS) serves as the DoD central liaison between the Comptroller General of the United States and DoD on all GAO matters. WHS

develops and provides guidance to facilitate the handling of GAO surveys and reviews, and responding to GAO reports. WHS notifies the USAAA ACFO about these reviews, and the USAAA ACFO will task HQDA principal officials, ACOMs, ASCCs, and DRUs to provide the information requested.

3–2. Coordination with external oversight organizations

a. The USAAA ACFO will distribute memorandums announcing the start of the audits and reviews, and designate the HQDA OPR.

b. The HQDA principal officials, and ACOM, ASCC, and DRU commanders will designate an audit focal point (GS–15/O–6 equivalent) to coordinate with external oversight organizations. The HQDA OPR audit focal point will be assigned as the audit's primary action officer, and be familiar with Army and DoD policies and procedures concerning relationships with external oversight organizations. This official will—

- (1) Attend meetings, arrange contacts, and obtain necessary information from other Army elements.
- (2) Provide command staff advice and assistance, maintain related files, and coordinate entrance and exit conferences.
- (3) Coordinate the Army response to draft and final reports with the responsible HQDA principal official.
- (4) Ensure that management replies are responsive and timely, and provide copies to the USAAA ACFO.
- (5) Monitor corrective actions on deficiencies and monetary benefits.

3–3. Access to and release of information to external oversight 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 external 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 are 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 and a need to know before disclosing classified information to them. The external oversight and military service audit organizations will certify the security clearances granted to their representatives directly to the Army organization or installation to be visited. A visit authorization request must be sent through the Defense Information Security System.

d. Army activities will provide information to GAO and DoDIG according to DoDI 7050.03 and DoDI 7600.02. Procedures for releasing certain records to GAO are in DoDI 7650.01. For all other external oversight or military service audit organizations, Army activities will contact the USAAA ACFO for instructions.

3–4. Replies to reports from external oversight organizations

a. The USAAA ACFO will forward draft audit reports it receives from external oversight organizations to the HQDA principal officials having functional proponentcy or primary interest for information, action, or response, as appropriate.

b. Army officials will immediately notify the USAAA ACFO if they receive a draft audit report for comment directly from an external oversight organization.

c. GAO, DoDIG, and other external oversight organizations may provide specific instructions and suspense dates for replies to draft reports. If external oversight organizations don't provide specific instructions and suspense dates, the USAAA ACFO will assign suspense dates to Army activities assisting the Army OPR in the reply process. Assisting activities should provide their input to the primary action officer designated by the HQDA OPR and not directly to the external oversight organization.

d. Army activities assisting the Army OPR in the reply process will meet assigned suspense dates for their input to the HQDA primary action officer. Assisting Army activities should provide input to influence the presentation of the final report and to present the Army's official position on the findings, conclusions, recommendations, and, if applicable, potential monetary benefits. If suspense dates aren't met, GAO and DoDIG will publish audit reports without Army management comments and state in the final report that the Army was provided a copy of the draft report but didn't respond. When issuing final reports, GAO and

DoDIG will indicate whether additional comments are required and will provide a suspense date for the Army to submit them.

e. For audit reports containing recommendations—

(1) *Affecting or involving the Army.* The HQDA principal official with primary interest in the subject of the review or audit (the Army OPR) is responsible for providing the official Army position to external oversight organizations. Army activities assisting the Army OPR in the reply process will provide prompt, responsive, and constructive command comments to recommendations developed during the course of the review or audit. Army activities will use the same guidelines as replying to USAAA audit reports.

(2) *Addressed directly to the Army.* For reports containing recommendations directly to the Army, the Army OPR will prepare the Army response using official letterhead, ensuring the document is dated and signed by an official with proper signature authority. Army activities will use the same guidelines as replying to USAAA audit reports, including implementation target dates for planned actions, and explanations when repeat conditions are identified. Army activities assisting in the reply process will provide the Army OPR prompt, responsive, and constructive comments to recommendations.

(3) *Addressed directly to the Secretary of the Army from the Government Accountability Office when Army is the primary action office.* GAO reports containing recommendations directly to the SECARMY have a condensed timeframe to allow the SECARMY sufficient time to review and approve responses prepared by the Army OPR. The Army OPR will prepare the Army response using official letterhead, ensuring the document is dated and signed by an official with proper signature authority. Army activities will use the same guidelines as replying to USAAA audit reports, including implementation target dates for planned actions, and explanations when repeat conditions are identified. Army activities assisting in the reply process will provide the Army OPR prompt, responsive, and constructive comments to recommendations. USAAA ACFO will task the draft for response, and the Army OPR will provide a consolidated Army package to the USAAA ACFO by the suspense date. USAAA ACFO will submit the electronic package through the Senior Leader Approval Process in the Army's official tasking system, to the VCSA and the USA for review, approval, and signature. Once the USA has approved the Army position, the USAAA ACFO will coordinate with WHS before releasing management's comments to GAO.

(4) *Addressed directly to the Secretary of the Army, Chief of Staff of the Army, Under Secretary of the Army, or Vice Chief of Staff of the Army from the Department of Defense Inspector General.* DoDIG reports containing recommendations directly to the SECARMY, Chief of Staff of the Army, USA, or VCSA have a condensed timeframe to allow sufficient time to review and approve the response prepared by the HQDA OPR. The Army OPR will prepare the Army response using official letterhead, ensuring the document is dated and signed by an official with proper signature authority. Army activities will use the same guidelines as replying to USAAA audit reports, including implementation target dates for planned actions, and explanations when repeat conditions are identified. Army activities assisting in the reply process will provide the Army OPR prompt, responsive, and constructive comments to recommendations. USAAA ACFO will task the draft for response, and the Army OPR will provide a consolidated Army package to the USAAA ACFO by the suspense date. USAAA ACFO will submit the electronic package through the Senior Leader Approval Process in the Army's official tasking system to the VCSA and the USA for review, approval, and signature. Once the USA has approved the Army position, USAAA ACFO will submit the response to DoDIG.

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

a. The Chief, Audit Management Division, WHS facilitates the resolution of disagreements between DoD components concerning the appropriateness of proposed responses to GAO reports. If resolution at this level isn't possible, WHS refers the dispute, along with pertinent documentation, to the Deputy Secretary of Defense for final resolution.

b. The USAAA ACFO will facilitate the resolution of disagreements by the Army OPR concerning the appropriateness of proposed responses to DoDIG audit reports. If resolution at this level isn't possible, DoDIG auditors refer the issue to the Deputy Inspector General for Auditing, DoDIG, who attempts to mediate the matter between the DoDIG auditors and Army representatives. If opposing positions cannot be reconciled, the matter will be referred to the Deputy Secretary of Defense for final resolution. The decision on contested issues will be a matter of record.

3–6. Report distribution

USAAA ACFO will forward final reports to the responsible HQDA principal officials. In addition, the USAAA ACFO will list published audit reports in its weekly report on audit activity to the Army. Army activities may obtain copies of the reports from the external oversight organization's website or request copies of the reports from the USAAA ACFO (SAAG–ZBA) through email at usarmy.pentagon.hqda-aaa.mbx.acfo@army.mil.

3–7. Audit followup

a. WHS and DoDIG will followup on agreements made in replies to GAO and DoDIG reports by requesting supporting documentation confirming the implementation of agreed-to corrective actions.

b. WHS and DoDIG will coordinate followup requests with USAAA ACFO. USAAA ACFO will provide instructions to the appropriate HQDA principal officials, ACOMs, ASCCs, and DRUs for followup responses.

c. To close DoDIG and GAO audit recommendations, the Army OPR must submit a signed memorandum stating what corrective actions the audited activity completed, and provide supporting documentation that shows completion of the recommendation(s) to the USAAA ACFO (SAAG–ZBA) through email at usarmy.pentagon.hqda-aaa.mbx.acfo@army.mil.

d. The Army must provide an annual response to the Good Accounting Obligation in Government Act or GAO–IG Act and will request status updates on progress towards implementation of each open DoDIG and GAO recommendation for reporting to Congress.

e. The Auditor General provides periodic updates to the SECARMY on the status of USAAA, DoDIG, and GAO recommendations, and highlights unimplemented recommendations that have exceeded their original implementation target dates by more than 6 months.

f. Audit recommendations may need to be reassigned due to changes in Army mission, roles, and responsibilities. It is the assigned commander's responsibility to identify necessary changes and to socialize the change with other impacted commanders. Upon receipt of agreement for the change, USAAA ACFO will reassign ownership of the recommendation in USAAA's project management system. The gaining commander will provide a new implementation target date, which will be considered the original target date so the commander isn't penalized for late implementation of the recommendation upon gaining ownership. If agreement can't be reached between the two organizations over responsibility for a recommendation, the USAAA ACFO will elevate the issue to the VCSA for final resolution.

Appendix A

References

Section I

Required Publications

Unless otherwise indicated, all Army publications are available on the Army Publishing Directorate website available at <https://armypubs.army.mil>. DoD publications are available at <https://www.esd.whs.mil/>.

AR 25–55

The Department of the Army Freedom of Information Act Program (Cited in para 1–11*h*.)

AR 380–5

Army Information Security Program (Cited in para 1–7*d*.)

DoDI 7050.03

Office of the Inspector General of the Department of Defense Access to Records and Information (Cited in para 3–3*d*.)

DoDI 7600.02

Audit Policies (Cited in title page.)

DoDI 7600.06

Audit of Nonappropriated Fund Instrumentalities and Related Activities (Cited in para 1–7*b*(3).)

DoDI 7650.01

Government Accountability Office (GAO) and Comptroller General Requests for Access to Records (Cited in para 3–3*d*.)

DoDI 7650.03

Follow-up on Inspector General of the Department of Defense (IG DoD) and Internal Audit Reports (Cited in para 2–21*a*.)

DoDI 7750.06

Information Requirements for Semiannual Report to the Congress (Cited in para 2–21*a*.)

10 USC 7013

Secretary of the Army (Cited in title page.) (Available at <https://uscode.house.gov/>.)

10 USC 7014

Office of the Secretary of the Army (Cited in title page.) (Available at <https://uscode.house.gov/>.)

Section II

Prescribed Forms

This section contains no entries.

Appendix B

Internal Control Evaluation

B-1. Function

The function covered by this evaluation is audit services.

B-2. Purpose

The purpose of this evaluation is to assist Army and USAAA managers, as appropriate, in evaluating the key internal controls listed in paragraph B-4. It is intended as a guide and doesn't cover all controls.

B-3. Instructions

Answers must be based on the actual testing of internal controls (for example, document analysis, direct observation, sampling, simulation, or other). Answers that indicate deficiencies must be explained and the corrective action indicated in the supporting documentation. These internal controls must be evaluated at least once every 5 years. Test questions apply to audit focal points or the USAAA ACFO, as indicated. Certification that this evaluation has been conducted must be done on a DA Form 11-2 (Internal Control Evaluation Certification).

B-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 the status of unimplemented recommendations and monetary benefits (including the target implementation date) accurately reported to USAAA in a timely manner?

b. U.S. Army Audit Agency 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 track the status of corrective actions and identify recommendations failing to meet implementation target 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/followup?
- (6) Are procedures adequate to ensure that unimplemented recommendations are identified and other information included in semiannual reports is accurate?

B-5. Supersession

This evaluation replaces the evaluation for audit liaison previously published in AR 36-2, dated 30 October 2015.

B-6. Comments

Help make this a better tool for evaluating internal controls. Submit comments to the USAAA ACFO (SAAG-ZBA) through hardcopy to 6000 6th Street, Building 1464, Fort Belvoir, VA 22060-5609 or through email at usarmy.pentagon.hqda-aaa.mbx.acfo@army.mil.

Glossary of Terms

Addressee

An activity to which an audit organization directs recommendations in audit reports or oversight or management responsibilities. The activity may also be responsible for taking or directing any corrective actions to implement recommendations.

Attestation engagements

Covers a broad range of financial or nonfinancial objectives about the subject matter or assertion depending on the users' needs. An attestation engagement can provide one of three levels of service as defined by the American Institute of Certified Public Accountants, namely an examination engagement, a review engagement, or an agreed-upon procedures engagement. An examination, review, or agreed-upon procedures engagement conducted under the GAGAS attestation standards related to subject matter or an assertion that is the responsibility of another party.

Audit client

Audit client refers to any entity included in the audit scope.

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 GAGAS, the Comptroller General of the United States publishes these standards in the publication, Government Auditing Standards, which is commonly referred to as the "Yellow Book."

Internal audit

A function that helps DoD management attain its goals by providing information, analyses, assessments, and recommendations pertinent to DoD management duties and objectives. The internal audit function supports the SECARMY. Auditors independently and objectively analyze, review, and evaluate existing procedures, controls, and performance relating to activities, programs, systems, and functions; auditors constructively present conditions, conclusions, and recommendations so as to stimulate or encourage corrective action.

Office of Primary Responsibility

The HQDA principal official with primary responsibility for the program, process, or policy being audited, or the official with the primary interest in the audit, who is responsible for providing the official Army position in an audit.

Official Army position

The Army's decision to accept or reject any finding, conclusion, or recommendation made in an audit report. The official Army position resolves disagreements between audited organizations and USAAA and establishes mandatory, reportable corrective actions for responsible organizations.

Potential monetary benefits

Potential monetary benefits consist of questioned costs and funds put to better use resulting from audit findings.

Undecided recommendations

A DoD audit organization's final recommendations on which the responsible organization hasn't yet commented or has expressed nonconcurrence without the audit organization's agreement. Undecided recommendations also arise 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

The actions that USAAA and the OPR agreed were necessary to correct deficiencies addressed in the recommendations but haven't been completed by the responsible unit, activity, or organization.

UNCLASSIFIED

PIN 051108-000