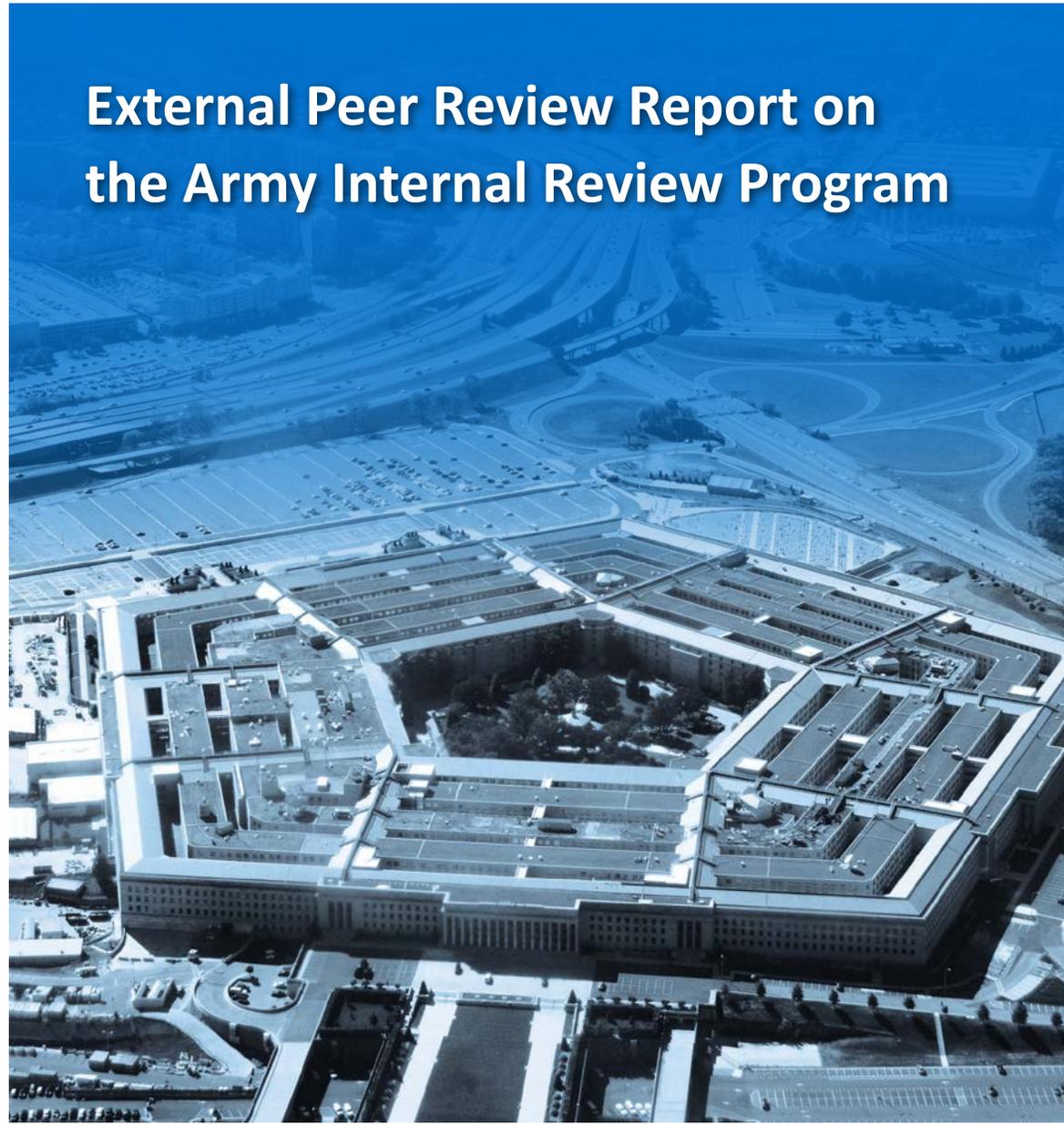




INSPECTOR GENERAL

U.S. Department of Defense

JULY 14, 2017



External Peer Review Report on the Army Internal Review Program

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**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

July 14, 2017

MEMORANDUM FOR DISTRIBUTION

SUBJECT: External Peer Review Report on the Army Internal Review Program
(Report No. DODIG-2017-100)

Attached are the External Peer Review Report and the Letter of Comment on the Army Internal Review Program that we conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*.

Enclosure 1 of the report identifies the scope and methodology for this review, including the Army IR offices visited and the audits and nonaudit services reviewed. Enclosure 2 contains the notice of concern for the Installation Management Command Internal Review on its proposed reorganization and the impact on its independence. Enclosure 3 contains your general comments on the draft System Review Report and Letter of Comment.

Your responses to the draft report are included as Enclosure 4 with excerpts and our position incorporated into the relevant sections of the report.

We appreciate the cooperation and courtesies extended to our staff during the review.

A handwritten signature in black ink, appearing to read "Randolph R. Stone", is positioned above the typed name.

Randolph R. Stone
Deputy Inspector General
Policy and Oversight

Attachments:
As stated

Distribution:

ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT AND COMPTROLLER)
COMMANDER, U.S. ARMY TRAINING AND DOCTRINE COMMAND
COMMANDER, U.S. ARMY INSTALLATION MANAGEMENT COMMAND
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COMMANDER, U.S. ARMY INSTALLATION MANAGEMENT COMMAND-FORT CARSON
COMMANDER, U.S. ARMY INSTALLATION MANAGEMENT COMMAND-FORT MEADE



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

July 14, 2017

MEMORANDUM FOR DISTRIBUTION

SUBJECT: System Review Report (Report No. DODIG-2017-100)

We reviewed the system of quality control for the Army Internal Review (IR) Program in effect for the year ended December 31, 2015. A system of quality control encompasses the Army IR Program's organizational structure and policies adopted and procedures established to provide it with reasonable assurance of conforming to *Government Auditing Standards (GAS)*. The elements of quality control are described in GAS. The Army IR offices are responsible for establishing and maintaining a system of quality control designed to provide reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion, based on our review, on the design of the system of quality and the Army IR Program's compliance with standards and requirements.

We conducted our review in accordance with GAS and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed audit personnel and obtained an understanding of the nature of the Army IR Program and the design of its system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits, nonaudit services, attestation engagements, and administrative files to test for conformity with professional standards and compliance with the Army IR Program's system of quality control. The audits selected represented a reasonable cross section of the Army Internal Review Program Offices, with emphasis on higher risk audits. We selected nonaudit services that were completed during our review period. Before concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with Army IR management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the Army IR Program. In addition, we tested compliance with the Army IR Program's quality control policies and procedures to the extent that we considered appropriate. These tests covered the application of the Army IR Program's policies and procedures on selected audits, attestation engagements, and nonaudit services. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

In our opinion, as a result of the significant deficiencies described in this report, the system of quality control for the Army IR Program in effect for the year ended December 31, 2015, was not suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The Army IR Program has received an External Peer Review rating of fail. We recognize that some of the Army IR offices would not receive a fail rating if they were reviewed separately; however, when reviewed as a collective program, the Army IR Program received a fail rating.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate. Enclosure 1 of this report identifies the scope and methodology for this review, including the Army IR offices visited and the audits and nonaudit services reviewed. Enclosure 2 contains the notice of concern (NOC) for the Installation Management Command (IMCOM) IR on its proposed reorganization and the impact on its independence. Enclosure 3 contains your general comments on the draft System Review Report and Letter of Comment. Finally, Enclosure 4 contains your comments on the draft System Review Report and Letter of Comment.

Management Comments on the Single Report and Our Response

Department of the Army Comments

The Department of the Army disagreed with the methodology used to classify Army Internal Review as a single audit organization and requested a separate rating for each office visited. The Deputy Assistant Secretary of the Army, Financial Operations, responding for the Assistant Secretary of the Army, Financial Management and Comptroller, the Director, Training and Doctrine Command (TRADOC) Internal Review and Audit Compliance Office, responding for the Commander, TRADOC, the Commander, U.S. Army Corps of Engineers (USACE) and the Deputy to the Commanding General, U.S. Army Special Operations Command (USASOC), responding for the USASOC Commander, stated that Army Internal Review is a collection of offices that report to separate commanders. The Deputy the Assistant Secretary of the Army, Financial Management and Comptroller, quoted GAS 3.10, which states:

for consideration of auditor independence, offices or units of an audit organization, or related or affiliated entities under common control, are not differentiated from one another. Consequently, for the purposes of independence evaluation using the conceptual framework, an audit organization that includes multiple offices or units, or includes multiple entities related or affiliated through common control, is considered to be one audit organization.

The Deputy further stated that the Army internal review offices lack an element of “common control” and should therefore not be considered one audit organization. According to the Deputy, Army Regulation (AR) 11-7¹ and Army General Orders 2017-01² only designated the Assistant Secretary of the Army, Financial Management and Comptroller, as the functional proponent responsible for the Army Internal Review Program.

The Director, Internal Review and Audit Compliance Office, responding for the Commander, TRADOC, and the Commander, USACE, stated that the rating does not reflect the current quality control environment. Further, the Director stated that given the many report discrepancies and inappropriate scope, assigning ratings to individual offices based on this draft report and associated body of work would not be credible or reflective of current operations. Finally, the Commander, USACE, requested a table that definitively shows the external review rating that the DoD OIG judges each command to have achieved. He also stated that individual reports would assist each Army major subordinate command internal review office in gaining maximum utility from DoD OIG personnel’s work.

Our Response

We disagree with the Deputy’s position that the Army IR Program should receive a separate rating for each office visited. On February 2, 2016, we conducted an entrance conference with the Deputy Assistant Secretary of the Army, Financial Operations; the Director, Department of the Army Internal Review; and Army Internal Review auditors. During the entrance conference, we discussed the review objective, scope of the review, and milestones. Also, we briefed to the meeting attendees that we would issue one peer review rating for the Army IR Program. None of the attendees objected or raised a concern regarding issuing a single rating. As indicated during the entrance conference, we are issuing one rating for the Army IR Program.

The March 2017 revision of AR 11-7 prescribes policies, roles, responsibilities, and standards for the IR Program within the Department of the Army and states that the Army IR Program is the responsibility of the Assistant Secretary of the Army, Financial Management and Comptroller, as delegated by the Secretary of the Army. Specifically, the March 2017 revision of AR 11-7 identifies the responsibilities of the Director, Department of the Army Internal Review. The Director, Department of the Army Internal Review, is responsible for the management of the Army IR Program to include:

- developing IR policies and standards;
- assisting and supporting effective execution of IR programs at Army commands, Army Service component commands, direct reporting units, Army staff agencies, and other organizations where IR offices are established; and
- developing necessary programs, guidance, or training to address these issues

¹ The March 29, 2017, AR 11-7 also designates the Assistant Secretary of the Army, Financial Management and Comptroller, as the functional proponent responsible for the Army Internal Review Program.

² “Assignment of Functions and Responsibilities with Headquarters, Department of the Army,” January 5, 2017.

In addition, the March 2017 revision of AR 11-7 defines the responsibilities of the IR director and chiefs. These responsibilities include elevating the results of reviews that have Army-wide implications through the chain of command to the IR proponent.

Further, GAS 3.10 pertains to the audit organization's independence and does not address the audit organization's structure and management as it relates to audit peer review ratings. The decentralized structure of the Army IR commands does not dictate the requirement for separate peer review ratings because each Army IR command is required to follow AR 11-7.

Public Law 99-433, "Goldwater-Nichols Department of Defense Reorganization Act," section 3014, states that the Office of the Secretary of the Army shall have sole responsibility within the Office of the Secretary and the Army Staff for auditing. In addition, Public Law 99-433, section 3014, states that the Secretary of the Army shall establish or designate a single office or other entity within the Office of the Secretary of the Army to conduct auditing within the Office of the Secretary and the Army Staff. Army General Order No. 2017-01³ states the Office of the Army Auditor General (Army Audit Agency) is designated the single office in Headquarters Department of the Army responsible for the auditing function. Army Audit Agency receives one peer review rating.

Further, Army General Order No. 2017-01 designates the Assistant Secretary of the Army, Financial Management and Comptroller, as the functional proponent responsible for the Army Internal Review Program. Additionally, the Army General Order designated the Assistant Secretary of the Army, Financial Management and Comptroller as the single office in Headquarters Department of the Army responsible for the Comptroller functions, including financial management, and assigned the Assistant Secretary of the Army, Financial Management and Comptroller the responsibility for "establishing policy for and directing the implementation of the DA's Internal Review Program and Audit Compliance Program." As a result, we determined that there should be one peer review rating for the Army IR Program.

Operation and Design of Quality Control System

Deficiency 1. Official Policies Not Updated

The Office of the Assistant Secretary of the Army for Financial Management and Comptroller has overall responsibility for the Army IR Program. The Deputy Assistant Secretary of the Army for Financial Operations provides direct oversight for the Army IR Director. The Army IR Director must ensure audit services are performed in accordance with GAS and Army policy. In June 2011, the Army issued AR 11-7, "Army Internal Review Program,"⁴

³ Army General Order No. 2017-01 was issued in January of 2017 and was not applicable during the fieldwork phase of this quality control review.

⁴ The Army issued the revised AR 11-7 on March 29, 2017, and it became effective on April 29, 2017. The Army issued the revised AR 11-7 after we received management comments on a draft of this report on March 10, 2017. For Deficiency 1, the AR 11-7 discussion refers to the June 2011 version of the AR 11-7 unless otherwise noted.

which prescribes policies, roles, responsibilities, and standards for the Army's IR Program. Specifically, AR 11-7 Section 1-4, "Responsibilities," states that the Army's duties include developing internal review policy and standards and interpreting Comptroller General of the United States, DoD, and Army policies and decisions.

In March 2005, all Army commands and activities with an IR function were directed to complete the conversion from the auditor job series to the accountant job series. As a result, the Army IR function was performing evaluations rather than audits. In June 2013, Army IR positions were reclassified from the accountant job series back to the auditor job series.

The Government Accountability Office (GAO) issued the most recent GAS revision in December 2011. This guidance was in effect for financial audits and attestation engagements for the period ending on or after December 15, 2012, and for performance audits beginning on or after December 15, 2011. In addition, DoD Instruction 7600.02, "Audit Policies," October 16, 2014 (Incorporating Change 1, March 15, 2016), requires audits and attestation engagements of DoD organizations, programs, activities, and functions to be conducted in accordance with GAS. Further, DoD Manual 7600.07, "DoD Audit Manual," August 3, 2015, requires all audits performed by DoD audit and internal audit organizations comply with GAS.

However, the Army did not update AR 11-7 to address GAS as a result of the Army IR conversion to the auditor job series. The June 2011 AR 11-7 was written for evaluators and not auditors. For example:

- AR 11-7 includes the terms "evaluators" rather than "auditors" and "reviews" instead of "audits;"
- AR 11-7 does not include guidance for including GAS compliance statements in reports. AR 11-7 Section 5-11, "Reporting Evaluators' Compliance with Standards," states evaluators should state "we conducted this performance review in accordance with standards in AR 11-7;"
- AR 11-7 does not implement the GAS conceptual framework for independence;⁵ and
- AR 11-7 does not address independence considerations for nonaudit services.

Policies and procedures are an integral part of a system of quality control. GAS 3.83 states that an audit organization's system of quality control encompasses leadership, emphasis on performing high-quality work, and policies and procedures designed to provide reasonable assurance of complying with professional standards. GAS 3.84 states that each audit organization should document its quality control policies and procedures and communicate them to its personnel. While the Army issued a revised AR 11-7 in March 2017, after an extensive two year effort, the guidance implementing the 2011 GAS requirements was not timely.

⁵ GAS established a conceptual framework that auditors use to identify, evaluate, and apply safeguards to address threats to independence.

Recommendations, Management Comments, and Our Response

Recommendation 1

The Assistant Secretary of the Army, Financial Management and Comptroller should require the Director, Army Internal Review, to update Army Regulation 11-7 to include current Government Auditing Standards.

Assistant Secretary of the Army, Financial Management and Comptroller, Comments

The Deputy Assistant Secretary of the Army, Financial Operations, responding for the Assistant Secretary of the Army, Financial Management and Comptroller, agreed, stating that it has already developed a draft version of AR 11-7 that includes references to the current GAS. The draft AR 11-7 is currently awaiting legal review. The new regulation will be published no later than September 30, 2017.

Our Response

The Assistant Secretary of the Army, Financial Management and Comptroller, updated and issued AR 11-7 on March 29, 2017, and it includes references to the current GAS. The Army issued the updated AR 11-7 after we received management comments on a draft of this report on March 10, 2017. Therefore, the recommendation is closed, and no further comments are required.

Deficiency 2. Policies Developed After Quality Control Review Period

GAS 3.84 requires audit organizations to document quality control policies and procedures. Three of the nine Army IR offices reviewed did not document policies and procedures before our review period. Also, we determined that Army IR offices relied on the June 2011 AR 11-7 guidance when performing the work we reviewed. AR 11-7 Section 3-9, "Quality Control and Assurance Standard," states that:

[t]he system of quality control established by individual IR activities will vary as will the need for, and extent of, its documentation of the systems. However, each IR organization prepares appropriate documentation for its system of quality control to demonstrate compliance with its policies and procedures. The form and content of the documentation is a matter of judgment. Documentation of compliance will be retained for a period of time sufficient to enable those performing monitoring procedures and peer reviews to evaluate the extent of the IR organization's compliance with the quality control policies and procedures.

Our review disclosed the following.

- IMCOM-Fort Meade IR auditors did not document a quality control system.
- TRADOC IR auditors did not document a quality control system; however, they established a system that included working paper reviews, discussions with staff, quality control checklists, and supervisory comments.
- U.S. Army Reserve Command (USARC)-99th Regional Support Command (99th RSC) auditors relied on AR 11-7, but they did not document a quality control system.

Corrective Action Taken

TRADOC IR auditors took corrective action and developed their policies and procedures during our review. We reviewed the policies and procedures and determined they were adequate.

Recommendations, Management Comments, and Our Response

Revised Recommendation

As a result of management comments and the issuance of the revised AR 11-7, we revised Recommendation 2 to state that the updates to AR 11-7, including any changes to the Army IR system of quality control, should occur within 6 months of the most current version of GAS.⁶

Recommendation 2

The Assistant Secretary of the Army for Financial Management and Comptroller should require the Director, Army Internal Review, to update Army Regulation 11-7 whenever the Government Accountability Office revises the *Government Auditing Standards*. The updated Army Regulation 11-7 should include any changes to the system of quality control. The updates should occur within 6 months of the issuance of the most current *Government Auditing Standards* to ensure compliance with the most current version of the *Government Auditing Standards*.

Assistant Secretary of the Army, Financial Management and Comptroller, Comments

The Deputy Assistant Secretary of the Army, Financial Operations, responding for the Assistant Secretary of the Army, Financial Management and Comptroller, agreed, stating that it plans to release an updated version of AR 11-7 that will require IR offices to comply with GAS and cover the issue of quality control. In addition, the Assistant Secretary of the Army,

⁶ Examples of changes to the system of quality control include quality control checklists, report independent reference reviews, and policies and procedures.

Financial Management and Comptroller will include quality control procedures in the Headquarters Department of the Army Internal Review Standard Operating Procedure (SOP), a document made available to all Army IR offices through Army Knowledge Online.⁷ The revised version of AR 11-7 will be published no later than September 30, 2017.

Our Response

Comments from the Deputy Assistant Secretary of the Army, Financial Operations, partially addressed the intent of Recommendation 2. The quality control policies and procedures are documented for Army IR offices in the revised AR 11-7. However, the Assistant Secretary of the Army, Financial Management and Comptroller did not address the timely issuance of the quality control policies and procedures. Although the Assistant Secretary of the Army, Financial Management and Comptroller, can issue timely interim policy updates on GAS revisions, as applicable, through policy memorandums or other means, such as Army Knowledge Online, the AR 11-7 should be updated to include any changes to the system of quality control. We request that the Assistant Secretary of the Army, Financial Management and Comptroller, provide additional comments by August 18, 2017, on the revised recommendation regarding updates to the quality control system within 6 months of issuance of the most current version of GAS.

Independence

Deficiency 3. Proposed Organizational Placement of the IMCOM IR Office Creates a Possible Independence Impairment

The proposed organizational realignment requiring the IMCOM IR office to report to IMCOM Resource Management Office created a possible independence impairment for IMCOM IR. Currently, the IMCOM IR office reports to the Commanding General, IMCOM, through the Deputy Commanding General, IMCOM.

GAS 3.14g defines a structural threat as a threat that an audit organization's placement within a Government entity, along with the structure of the Government entity being audited, will impact the audit organization's ability to perform work and report results objectively.

Additionally, GAS 3.31 states:

[i]nternal auditors working under the direction of the audited entity are considered independent if the head of the organization is accountable to the head or deputy head or those charged with governance, located organizationally outside of the staff or line-management functions of the unit under audit, and is sufficiently removed from political pressures to conduct audits and report objectively without fear of reprisal.

⁷ Army Knowledge Online is a web-based enterprise information service available to the Army. Army Knowledge Online provides the Army a portal for sharing knowledge and information.

The 2017 version, as well as the 2011 version, of AR 11-7 Section 1-4, "Responsibilities," states that commanders will ensure that IR offices are organizationally aligned as independent activities that report directly to the commander, principal deputy commander, or chief of staff and that they will not be aligned under another directorate or staff section.

On June 29, 2016, we issued a NOC to the Commanding General, IMCOM, stating our concerns on a proposed realignment in which the IMCOM IR office would report to the IMCOM Resource Management Office, whose responsibilities include preparing, executing, and analyzing the IMCOM budget. The proposed realignment violates the independence requirements in GAS 3.14 and AR 11-7 and will create a structural threat.

In our NOC, we recommended that the Commanding General, IMCOM, keep the current reporting structure and not realign the IMCOM IR office with the IMCOM Resource Management Office. We requested an official written response to our NOC by July 15, 2016, but we never received an official written response. We did, however, receive the following documents by email.

- On June 1, 2016, we received the IMCOM Resource Management Office Fiscal Year (FY) 2019 budget extract showing that the IMCOM IR Director reports to the Director of the IMCOM Resource Management Office.
- On June 17, 2016, we received a memorandum of agreement between the IMCOM IR office and the IMCOM Resource Management Office. The MOA shows the chain of command and responsibilities for the IMCOM IR office under audit readiness missions. Also, the memorandum of agreement identifies that the IMCOM IR office reports to the IMCOM Resource Management Office. During nonaudit readiness missions, the IMCOM IR office reports to the Commanding General, through the Deputy Commanding General.
- On June 22, 2016, we received the draft, "FY 17-18 Annual Command Guidance Work Group," which shows the IMCOM IR office reporting to the IMCOM Resource Management Office.

Based on these materials, IMCOM IR will report to IMCOM Resource Management rather than the Commanding General, thus creating a potential structural threat to IMCOM IR's independence. Although this potential independence impairment was identified at only 1 of the 10 Army IR offices reviewed, Army IR should verify that there are no other structural threat issues within the Army IR.

Recommendations, Management Comments, and Our Response

Recommendation 3

The Director, Army Internal Review, should require all Army internal review offices to verify that their organization is properly aligned to ensure organizational independence.

Assistant Secretary of the Army, Financial Management and Comptroller, Comments

The Deputy Assistant Secretary of the Army, Financial Operations, responding for the Assistant Secretary of the Army, Financial Management and Comptroller, agreed, stating that AR 11-7 requires Army IR offices to be properly aligned to ensure independence. In addition, the Assistant Secretary of the Army, Financial Management and Comptroller, will issue a memorandum to the command's Army IR offices directing them to verify their organizations are properly aligned to ensure organizational independence. This action will be completed no later than June 30, 2017.

Our Response

Comments from the Deputy Assistant Secretary of the Army, Financial Operations, addressed all specifics of the recommendations; therefore, the recommendation is resolved but will remain open. We will close Recommendation 3 once we verify that a memorandum was issued directing IR offices to verify that their organizations are properly aligned to ensure organizational independence. We expect receipt no later than August 18, 2017.

Recommendation 4

The Commanding General, Installation Management Command, should ensure that the Installation Management Command Internal Review Office maintains its structural independence and consider keeping the current reporting structure, with the Installation Management Command Internal Review Office reporting to him.

Installation Management Command Comments

The Chief of Staff, Installation Management Command, responding for the Commanding General, Installation Management Command, agreed, stating that IMCOM personnel updated the FY 2019 Table of Distribution and Allowances (TDA) to reflect an independent internal review organization. The Internal Review Director reports directly to the command Chief of Staff. According to the Chief of Staff, Installation Management Command, the FY 2017 and FY 2018 TDAs were not updated because the command has been directed to use the FY 2019 TDA for all FY 2017 and 2018 civilian personnel decisions.

Our Response

Comments from the Chief of Staff, Installation Management Command, addressed all specifics of the recommendation. We reviewed the FY 2019 TDA and verified that the IMCOM IR office has established organizational structural independence. As a result, this recommendation is closed, and no further comments are required.

Deficiency 4. Army IR Offices Conducted Nonaudit Services That Presented Independence Concerns

The IMCOM-Fort Meade and USACE IR offices conducted nonaudit services without determining whether providing the nonaudit services would create threats to independence. GAS 3.34 states that before an auditor agrees to provide a nonaudit service to an audited entity, the auditor should determine whether providing such a service would create a threat to independence, either by itself or in aggregate with other nonaudit services provided, with respect to any GAS audit it performs.

Specifically, IMCOM-Fort Meade IR auditors performed a Financial Liability Investigation of Property Loss. A Financial Liability Investigation of Property Loss is an administrative tool used by the Army to establish liability for a property loss. An auditor was selected by the Deputy Garrison Commander to review one case involved in a Financial Liability Investigation of Property Loss. However, the auditor did not perform an assessment to determine whether the work performed would cause an independence impairment as required by GAS 3.34. According to the Director, IMCOM-Fort Meade IR office, the Deputy Garrison Commander later requested an audit of the whole Financial Liability Investigation of Property Loss Program.

The USACE IR offices engaged in nonaudit services that presented independence concerns. Specifically, the USACE IR offices tested management's compliance with internal control procedures cited in the USACE Resource Management's internal control test plans.⁸ To elaborate, Headquarters USACE IR auditors developed review guides for auditors at USACE IR division and district offices to use to assess and report the implementation of Office of Management and Budget (OMB) Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," July 2016.

GAS 3.36 states that an example of an activity that is considered a management responsibility and would impair independence if an auditor performed the work on behalf of the audited entity includes accepting responsibility for designing, implementing, or maintaining internal control. Further, GAS 3.54 states accepting responsibility for designing, implementing or maintaining internal control includes accepting responsibility for designing, implementing, or maintaining monitoring procedures. Also, GAS 3.54 states monitoring involves the use

⁸ Test plans are standard procedures to be performed to test specific attributes of internal controls for compliance with established criteria.

of either ongoing monitoring procedures or separate evaluations to gather and analyze persuasive information supporting conclusions about the effectiveness of the internal control system. OMB Circular A-123 defines assessing the effectiveness of internal control as a management responsibility as:

[m]anagement is also responsible for establishing and maintaining internal controls to achieve specific internal control objectives related to operations, reporting and compliance. Management must consistently apply these internal controls standards to meet internal control principles and related components outlined in this circular and to assess and report on internal control effectiveness at least annually.

Once, the internal control testing identified in the review guides was completed, the auditors at the division and district offices submitted results to the HQ USACE IR office. HQ USACE IR personnel then summarized and provided results to the USACE Resource Management Office. The Resource Management Office reviewed the test results to determine whether there were systemic issues with internal controls. The USACE IR's support with internal control monitoring presented an appearance of performing a management function.

Auditors at USACE district and division field offices participated in nonaudit services that included the monitoring of these internal controls, thereby creating a potential threat to the auditor's independence with respect to future GAS audits performed by the audit organization. Additionally, for entity-wide audits, the USACE IR did not determine before providing nonaudit services whether it would create a threat to its independence, either by itself or in the aggregate with other nonaudit services provided, with respect to any GAS audit it performs. Further, field offices did not evaluate the potential independence effects of performing nonaudit services on GAS audits as required by GAS 3.34.

Management Comments on the Deficiency and Our Response

Commander, U.S. Army Corps of Engineers, Comments

The Commander, U.S. Army Corps of Engineers, disagreed with the results presented in Deficiency 4 and stated the results were a misrepresentation of the nonaudit service work performed. According to the Commander, U.S. Army Corps of Engineers, the USACE IR office did not perform management functions or assume managerial responsibilities for the USACE OMB Circular A-123 Program. Instead, USACE IR tested management's compliance with control procedures cited in the USACE Resource Management's internal control test plans that Resource Management Office prepared in accordance with OMB Circular A-123 and the USACE IR auditors developed and conducted validation testing of financial operations.

Once the testing was completed by USACE IR auditors, the results were provided to USACE Resource Management Office. Then, the USACE Resource Management Office determined how the results would be used in managing the OMB Circular A-123 Program. In addition, the Director, U.S Army Corps of Engineers, Resource Management, further explained the role of the U.S. Army Corp of Engineers, Resource Management Office, which includes the development, publication, and implementation of the all OMB Circular A-123 Test Plans. Finally, the Commander, U.S. Army Corps of Engineers, stated that the USACE IR office started performing these nonaudit services in 2009 as a result of a recommendation made by USACE's Independent Public Accountant, PriceWaterhouseCoopers LLP.

Our Response

As a result of management comments received from the Commander, U.S Army Corps of Engineers, we updated Deficiency 4 to more accurately reflect the work performed by the USACE IR office. For example, we included a discussion in the report that Headquarters USACE IR auditors developed review guides for auditors at USACE IR division and district offices to assess and report the implementation of OMB Circular A-123. In addition, we added that USACE IR offices tested management's compliance with internal control procedures cited in the USACE Resource Management's internal control test plans. However, the work performed by the USACE IR office in support of the nonaudit service to include the monitoring of internal controls represents an independence concern because GAS 3.36 states an example of an activity that is considered a management responsibility and would impair independence includes accepting responsibility for designing, implementing, or maintaining internal control. GAS 3.54 further describes designing, implementing, or maintaining internal controls as accepting responsibility for monitoring procedures which involves the use of either ongoing monitoring procedures or separate evaluations to gather and analyze persuasive information supporting the conclusions about the effectiveness of the internal control system. As a result, Recommendation 6 remains unchanged. Further, the Commander stated that the performance of these nonaudit services was the result of a recommendation in 2009 from the Independent Public Accountant, PriceWaterhouseCoopers LLP. However, the recommendation from PriceWaterhouseCoopers LLP was made during a time when the USACE IR office was not operating as an audit organization; therefore, at that time, the USACE IR office was not performing audits in compliance with GAS.

Recommendations, Management Comments, and Our Response

Recommendation 5

The Director, Army Internal Review, should issue a memorandum to the Army internal review commands. The memorandum should reemphasize the requirement for auditors to complete an independence assessment before conducting nonaudit services.

Assistant Secretary of the Army, Financial Management and Comptroller, Comments

The Deputy Assistant Secretary of the Army, Financial Operations, responding for the Assistant Secretary of the Army, Financial Management and Comptroller, agreed, stating that it will issue a memorandum to the command Army IR offices reemphasizing the requirement for auditors to complete an independence statement before conducting nonaudit services. Guidance is also included in the Headquarters, Department of the Army Internal Review Standard Operating Procedures, a document made available to all Army IR offices through Army Knowledge Online. This action will be completed by July 30, 2017.

Our Response

Comments from the Deputy Assistant Secretary of the Army, Financial Operations, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close Recommendation 5 once we verify that the Director, Army Internal Review, issued a memorandum to the Army internal review commands reemphasizing the requirement for auditors to complete an independence assessment before conducting nonaudit services. We expect receipt no later than August 18, 2017.

Recommendation 6

The Commanders, Installation Management Command–Fort Meade, and U.S. Army Corps of Engineers, should provide training to auditors to perform an independence assessment before conducting nonaudit services to determine whether the service will create a threat to independence for audits performed in compliance with *Government Auditing Standards*.

Installation Management Command–Fort Meade Comments

The Commander, Installation Management Command, agreed with the intent of our recommendation, stating that the Fort Meade-IMCOM IR office will focus on audits and, beginning in FY 2017, will no longer perform nonaudit services.

Our Response

We accept the IMCOM-Fort Meade decision to no longer perform nonaudit services beginning in FY 2017. We advise IMCOM-Fort Meade staff to complete independence assessments if IMCOM-Fort Meade decides to perform nonaudit services in the future. Comments from the Commander addressed all specifics of the recommendation; therefore, the recommendation is closed.

U.S. Army Corps of Engineers Comments

The Commander, U.S. Army Corps of Engineers, agreed that the USACE IR auditors should document more fully the independence assessment before conducting nonaudit services to determine whether the services will create a threat to independence. The documentation should include preparing and submitting the USACE management letter of representation that outlines the scope of services to be rendered and the steps that will be taken to preserve the independence of the IR community of practice. In addition, according to the Commander, U.S. Army Corps of Engineers, USACE IR initiated policy for completing an annual statement of independence for each USACE IR auditor. USACE IR management reviews, signs, and retains this documentation on the USACE IR's network drive.

Our Response

Comments from the Commander, U.S. Army Corps of Engineers, partially addressed the recommendation. Documented statements of independence and independence assessments, along with training to understand the purpose of the independence assessments will meet the intent of our recommendation. However, the Commander needs to clarify whether the USACE IR intends to provide training to auditors to perform an independence assessment before conducting nonaudit services to determine whether the service will create a threat to independence for audits performed in compliance with GAS. Because management comments did not fully address the recommendation, the recommendation is unresolved and will remain open. We request that the Commander, U.S. Army Corps of Engineers, provide comments in response to this report that address the recommendation by August 18, 2017.

Professional Judgment

Deficiency 5. Auditors Did Not Exercise Professional Judgment in Planning and Performing Audits and in Reporting the Results

IMCOM-Fort Meade IR and USARC-200th MPCOM IR auditors did not exercise professional judgment for an attestation engagement and audit. GAS 3.60 states that auditors must use professional judgment in planning and performing audits and in reporting the results. GAS 3.64 states that using professional judgment is important to auditors in carrying out all aspects of their professional responsibilities, including maintaining objectivity and credibility; defining the scope of work; evaluating, documenting, and reporting the results of the work; and maintaining appropriate quality control over the audit process.

At these two Army IR offices, auditors did not exercise sufficient professional judgment as evidenced by the following examples of noncompliance with GAS:

- One attestation engagement at the IMCOM-Fort Meade IR office did not comply with GAS and American Institute of Certified Public Accountant (AICPA) standards for competence, planning, and reporting. See Deficiency 7, 15, and 16 for additional details; and
- One audit at the USARC-200th MPCOM IR office did not comply with GAS for competence, planning, supervision, audit documentation and evidence, and reporting. See Deficiency 6, 9, 11, and 12 for additional details.

Recommendations, Management Comments, and Our Response

Recommendation 7

The Commanders, Installation Management Command–Fort Meade, and U.S. Army Reserve Command–200th Military Police Command, should ensure that the internal review offices comply with *Government Auditing Standards*, to include providing training to staff to improve the auditor’s understanding and knowledge of the professional judgement, competence, planning, supervision, audit documentation and evidence, and reporting.

Installation Management Command–Fort Meade Comments

The Commander, Installation Management Command–Fort Meade, agreed, stating that the vast majority of the Fort Meade IR audit work revolves around internal controls and compliance with laws and regulations. Because GAS 2.09 states that auditors should not perform review-level work for reporting on internal control or compliance with provisions of laws and regulations, starting in FY 2017, IMCOM-Fort Meade will no longer perform attestation engagements.

Our Response

We accept the IMCOM-Fort Meade decision to no longer perform attestation engagements beginning in FY 2017. We advise IMCOM-Fort Meade staff to provide training to auditors on attestation general standards if IMCOM-Fort Meade decides to complete attestation engagements in the future. Comments from the Commander addressed all specifics of the recommendation; therefore, the recommendation is closed.

U.S. Army Reserve Command–200th Military Police Command Comments

The Chief of Staff, U.S. Army Reserve, responding for the Commander, agreed, stating that the USARC IR office has an established audit training program in which the USARC-200th MPCOM IR participates as a subordinate Army Reserve command. Therefore, the USARC-200th MPCOM IR adheres to USARC IR’s audit training program and guidance. This action was implemented on February 1, 2017.

Our Response

Comments from the Chief of Staff did not fully address the specifics of the recommendation. The comments did not specify whether the areas of the audit training program the USARC IR office established included professional judgement, competence, planning, supervision, audit documentation and evidence, and reporting; therefore, the recommendation is unresolved and remains open. Accordingly, we request the Chief of Staff provide additional comments and specify whether the training will improve the auditors' understanding and knowledge of the professional judgement, competence, planning, supervision, audit documentation and evidence, and reporting standards in GAS by August 18, 2017.

Competence

Deficiency 6. Auditors Did Not Meet GAS Continuing Professional Education Requirements

At four of nine Army IR offices reviewed, auditors did not meet GAS continuing professional education (CPE) requirements. GAS 3.76 states that auditors should maintain their professional competence through CPE. Specifically, auditors performing work in accordance with GAS should complete at least 24 hours of CPE every 2 years that directly relate to Government auditing, the Government environment, or the specific or unique environment in which the audited entity operates. Also, auditors involved in any amount of planning, directing, or reporting on GAS audits and auditors who are not involved in those activities, but charge 20 percent or more of their time annually to GAS audits should obtain at least an additional 56 hours of CPE for a total of 80 hours of CPE in every 2-year period. Finally, auditors required to take the total 80 hours of CPE should complete at least 20 hours of CPE in each year of the 2-year period.

Our review disclosed the following.

- Two IMCOM IR auditors did not meet CPE requirements. Specifically, one auditor earned only 6.5 CPE hours of the minimum 24 hours of Government auditing required. In addition, one auditor earned only 22 CPE hours of the minimum 80 hours of CPE required in every 2-year period.
- Two IMCOM-Fort Meade IR auditors did not meet GAS CPE requirements during the 2-year period. An auditor was 1 CPE short of the 80-hour requirement, having completed 79 hours of CPE. The other auditor was 2.6 CPEs short of the 80-hour requirement.
- One TRADOC IR auditor was 7 CPEs short of the 80-hour requirement, having completed 73 hours of CPE.
- One USARC-200th MPCOM IR auditor did not meet the requirement for at least 20 hours of CPE in every year of the 2-year period. Also, the auditor completed only 65 hours of CPE instead of the required 80 hours of CPE in every 2-year period.

Recommendations, Management Comments, and Our Response

Recommendation 8

The Commanders, Installation Management Command, Installation Management Command–Fort Meade, Training and Doctrine Command, and U.S. Army Reserve Command–200th Military Police Command, should implement an official training program to ensure auditors maintain their professional competence and complete sufficient continuing professional education. The program should include monitoring to assess whether auditors are meeting the continuing professional education requirements.

Installation Management Command Comments

The Chief of Staff, responding for the Commander, Installation Management Command, agreed, stating that the IMCOM Internal Review Office has a process to ensure that each auditor obtains training to maintain professional competence. A spreadsheet is maintained with each auditor's name and number of hours trained in each year. In addition, supervisors review the spreadsheet with the auditor during the midpoint and annual performance appraisal processes.

The IR Director decided not to fund training for the two auditors mentioned in the report. The auditors notified the IR Director of plans to retire during the last year of the professional education reporting period. Both auditors retired at the end of calendar year 2016.

Our Response

Comments from the Chief of Staff addressed all specifics of the recommendation; therefore, this recommendation is closed and no further comments are required.

Installation Management Command–Fort Meade Comments

The Commander, Installation Management Command–Fort Meade, agreed, stating that the Fort Meade IR instituted a CPE tracking system at the beginning of FY 2016. Classes taken and CPEs earned are listed for each individual.

Our Response

Comments from the Commander did not address the specifics of the recommendation; therefore, the recommendation is unresolved and remains open. The actions that the Commander noted do not include procedures for monitoring CPEs to assess whether auditors are meeting the requirements. Although a tracking system may provide the opportunity for Installation Management Command–Fort Meade to record training completed by the auditors, monitoring should also involve ongoing, periodic assessment of CPE requirements to ensure auditors are in compliance.

We request that the Commander provide additional comments in response to this report by August 18, 2017, describing the actions that the Fort Meade IR will take to ensure monitoring to assess whether auditors are meeting the CPE requirements. We will close the recommendation after we verify that the Fort Meade IR actions fully address the recommendation.

U.S. Army Reserve Command–200th Military Police Command Comments

The Chief of Staff, responding for the Commander, U.S. Army Reserve Command–200th MPCOM, agreed, stating that the USARC-200th MPCOM IR Chief will monitor auditors' compliance with annual CPE requirements. Specifically, auditors will provide training certificates of completion to the IR Chief and the IR Chief will ensure auditor training is properly planned and complies with GAS CPE training requirements. The Chief of Staff stated that this action was implemented on March 1, 2017.

Our Response

Comments from the Chief of Staff addressed all specifics of the recommendation; therefore, this recommendation is resolved but will remain open. We will close the recommendation after we receive and verify policy documentation showing that the U.S. Army Reserve Command–200th MPCOM implemented an official training program to include monitoring to assess whether auditors are meeting the CPE requirements. We expect receipt no later than August 18, 2017.

Training and Doctrine Command Comments

The Director, Internal Review and Audit Compliance Office, responding for the Commander, Training and Doctrine Command, disagreed and stated that a successful training program is already in place at TRADOC, and all auditors are in full compliance with CPE requirements since its conversion to GS-0511 Auditors. The TRADOC auditor who was reported to be 7 CPEs short charged less than 20 percent of their time to audits during the review period and thus, was not subject to the 80 hours of CPEs requirement. In calculating earned CPEs for all TRADOC auditors, TRADOC IR appropriately applied criteria from the GAO-05-568G, "Government Auditing Standards: Guidance on GAGAS Requirements for Continuing Professional Education," April 1, 2005. TRADOC IR determined that all training (including any DoD mandatory training) counted as CPEs were directly related to government auditing or the government environment and that the topics were of strategic importance to TRADOC. The Director also stated that the report does not contain details as to why the DoD Office of Inspector General (OIG) did not count 8 hours of CPE for some mandatory Army training for the auditor. The DoD OIG did not provide source documentation for this decision nor did TRADOC IR get a list of training that should not be counted.

Our Response

Comments from the Director did not address the recommendation; therefore, the recommendation is unresolved and remains open. We disagree with the Director's interpretation of the guidance.

The GAO-05-568G states that:

auditors who are involved in performing only fieldwork but not involved in planning, directing, or reporting on the audit or attestation engagement and who charge less than 20 percent annually of their time to audits and attestation engagements conducted under GAS are required to take 24 hours of training in each 2-year period in subjects and topics directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates, but do not have to comply with the remainder of the 80-hour CPE requirement.

Although the employee may have charged less than 20 percent of their time to audits during the review period, our review determined that the auditor was involved in the planning, performing fieldwork, and reporting of an attestation engagement. Specifically, based on documentation provided by TRADOC, the auditor prepared the audit guide, which shows the auditor was engaged in the planning of the audit. The auditor also prepared the working paper detailing TRADOC's analysis and completed the quality control checklist, which verifies that all planning, survey and execution, and reporting requirements were fulfilled. The auditor was also identified as part of the audit team in the final report. As a result, we determined that the auditor was required to meet the 80-hour CPE requirement.

Additionally, we did not count 8 hours of CPEs for some mandatory Army training because the courses do not enhance the proficiency of TRADOC IR auditors to perform audits or attestation engagements. Our decision to not include three mandatory annual DoD training courses as acceptable CPE was based on our professional judgment and review of GAO-05-568G, "Guidance on GAGAS Requirements for Continuing Professional Education," April 2005. The three courses are Combating Trafficking in Persons (CTIP), Antiterrorism Awareness Level I, and Cyber Awareness.

We found that for the period of review, the majority of the projects the TRADOC IR worked on were Executive Contract Approval Board (ECAB) attestation engagements that supported the Deputy Commanding General in making approval decisions for contracts greater than \$10 million. Specifically, 41 of the 53 projects the TRADOC IR worked on from December 2013 through December 2015 were ECAB attestation engagements. Also, TRADOC IR auditors provided nonaudit and liaison and compliance services in which they performed a risk assessment and analysis to determine the command's compliance with external independent public accountant audit sampling and reports. In addition, the TRADOC IR conducted performance audits related to financial internal controls, contracts, and the Defense Language Institute Foreign Language Center.

GAS 3.77 states that CPE programs are structured educational activities with learning objectives designed to maintain or enhance participants' knowledge, skills, and abilities in areas applicable to performing audits. In addition, GAS 3.76 states that auditors should obtain CPEs that enhance the auditor's professional proficiency to perform audits. TRADOC IR has not provided documentation to indicate how the CTIP, Antiterrorism Awareness Level I, and Cyber Awareness training courses enhance their auditors' professional proficiency to perform audits and the other services they provide.

We also used the GAO-05-568G in its decision to not include the three mandatory annual DoD training courses as acceptable CPE. The guidance states that programs and activities or subjects that do not qualify for CPE hours under GAS include basic courses in subjects in which the auditor already has the knowledge and skills being taught.

The three courses do not qualify as acceptable CPE because they are required for all DoD personnel on an annual basis; therefore, auditors already know what is being taught. Further, DoD Instruction 2200.01, section 8.b (1), identifies the CTIP training course as a course that provides the basic context on how to recognize and combat trafficking in person.

In addition, the Antiterrorism Awareness Level I and Cyber Awareness training do not qualify as acceptable CPE based on the responsibilities the TRADOC IR assumes in performing GAGAS audits and its operating environment. DoD Instruction 2000.12 states that the DoD Antiterrorism Program, which includes the Antiterrorism Awareness Level I training course, focuses on defensive measures used to reduce the vulnerability of individuals and property to terrorists acts. Lastly, the subjects included in the Cyber Awareness training are checking e-mail and using home computers and websites.

We request that the Director provide additional comments on Recommendation 8 in response to this report by August 18, 2017, describing the actions that the TRADOC IR office will take to ensure auditors complete sufficient CPE requirements, including monitoring to assess whether auditors are meeting the CPE requirements. We will close the recommendation after we verify that the actions TRADOC IR takes fully address the recommendation.

Deficiency 7. Auditors Lacked Knowledge, Skills, and Experience to Conduct Attestation Engagements

IMCOM-Fort Meade IR auditors did not have sufficient knowledge, skills, and experience to conduct an attestation engagement. GAS 3.69 states that the staff assigned to perform the audit must possess adequate professional competence needed to address the audit objectives and perform the work in accordance with GAS. According to GAS 3.71, competence is derived from a blending of education and experience. In addition, GAS 3.70 states that the audit organization's management should assess skills to determine whether its workforce has the essential skills to perform the particular audit.

The IMCOM-Fort Meade IR Director stated that the auditors did not have experience conducting attestation engagements. In addition, the lead auditor had not performed an attestation engagement since her career began at the IMCOM-Fort Meade IR office in 1986.

IMCOM personnel stated they were aware of GAS and AICPA standards for attestation engagements. However, our review of the project documentation indicated that they did not adequately apply these standards and exercise sound professional judgment when performing their work. See Deficiencies 14, 15, and 16 for additional details. Specifically, the auditors did not comply with GAS and AICPA standards for performing and reporting on attestation engagements.

Recommendations, Management Comments, and Our Response

Recommendation 9

The Commander, Installation Management Command–Fort Meade, should provide training to the audit staff members to improve their understanding and knowledge of *Government Auditing Standards* and American Institute of Certified Public Accountants standards on conducting attestation engagements.

Installation Management Command–Fort Meade Comments

The Commander, Installation Management Command–Fort Meade, agreed, stating that the vast majority of the Fort Meade IR audit work revolves around internal controls and compliance with laws and regulations. Because GAS 2.09 states that auditors should not perform review-level work for reporting on internal control or compliance with provisions of laws and regulations, starting in FY 2017, IMCOM-Fort Meade will no longer perform attestation engagements.

Our Response

We accept the IMCOM-Fort Meade decision to no longer perform attestation engagements beginning in FY 2017. We advise IMCOM-Fort Meade staff to provide training to auditors on attestation general standards if IMCOM-Fort Meade decides to perform attestation engagements in the future. Comments from the Commander addressed all specifics of the recommendation; therefore, the recommendation is closed.

Quality Control and Assurance

Deficiency 8. Auditors Did Not Perform Monitoring of Quality

The IMCOM IR-Fort Meade, USACE IR, USARC IR, and USARC-99th RSC auditors did not monitor quality of the audit organization and did not annually summarize the results of monitoring. GAS 3.93 requires audit organizations to establish policies and procedures for monitoring of quality in the audit organization. In addition, GAS 3.95 states that audit organizations should analyze and summarize the results of their monitoring at least annually.

IMCOM IR-Fort Meade, USACE IR, USARC IR, and USARC-99th RSC did not provide documentation to support the annual summaries of the results of quality monitoring. Monitoring of quality is designed to provide the audit organization's management with reasonable assurance that the system of quality control is suitably designed and operating effectively.

Recommendations, Management Comments, and Our Response

Revised Recommendation

As a result of management comments received, we revised draft report Recommendation 10. We removed the U.S. Army Reserve Command-200th MPCOM from Recommendation 10. The U.S. Army Reserve Command-200th MPCOM did not perform any audits from FY 2013 through FY 2015. As a result, the U.S. Army Reserve Command-200th MPCOM was not required to monitor audit quality during the period of our review.

Recommendation 10

The Commanders, U.S. Army Installation Management Command-Fort Meade, U.S. Army Corps of Engineers, U.S. Army Reserve Command, and U.S. Army Reserve Command-99th Regional Support Command should require auditors to develop a written process for performing annual monitoring of quality in accordance with *Government Auditing Standards*.

U.S. Army Installation Management Command-Fort Meade Comments

The Commander, Installation Management Command-Fort Meade, agreed, stating that the Fort Meade IR will complete a quality assessment review and summarize the results by the end of June 2017.

Our Response

Comments from the Commander did not address the specifics of the recommendation; therefore, the recommendation is unresolved and remains open. The actions the Commander noted do not include procedures for annual monitoring of quality in accordance with GAS; the IMCOM IR-Fort Meade office is required to perform annual monitoring beyond June 2017. GAS 3.93 defines monitoring of quality as an ongoing, periodic assessment of work completed on audits.

We request that the Commander provide additional comments on Recommendation 10 in response to this report by August 18, 2017, describing the actions that the Fort Meade IR will take to ensure that annual monitoring of quality is performed in accordance with GAS.

U.S. Army Corps of Engineers Comments

The Commander, USACE, agreed, stating that the USACE IR agreed that individual project quality reports must be summarized at year end. USACE IR agreed to take corrective action to update its policies and procedures and to address leadership responsibilities for quality within the organization, legal and ethical requirements, human resources, audit performance, documentation, reporting, and monitoring of quality in accordance with GAS 3.95. However, USACE's corrective action is not detailed in the DoD OIG's draft report. For consistency, USACE IR stated that the DoD OIG should enumerate USACE IR's corrective action in the body of the report and should remove from Enclosure 2, the "X" shown in the USACE column, Table 5, "Deficiencies for General Standards by Location" on the "Quality Control" line.

Our Response

Comments from the Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. Based on management comments received, Tables 5, 6, and 7 and the corresponding Enclosure 2 were removed from the report. We renumbered the enclosures accordingly. We will close Recommendation 10 once we verify that the USACE's updated policies and procedures include adequate guidance for performing annual monitoring of quality in accordance with GAS. We expect receipt no later than August 18, 2017.

U.S. Army Reserve Command-99th Regional Support Command

The Chief of Staff, responding for the Commander, U.S. Army Reserve Command-99th Regional Support Command, agreed, stating that the 99th RSC IR office will develop and incorporate policies into its SOP that include footnoting all applicable working papers identifying GAS used in the audit and develop a memorandum on monitoring the quality control of the IR office on an annual basis. This action will be implemented within 90 days.

Our Response

Comments from the Chief of Staff addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close Recommendation 10 once we verify that the U.S. Army Reserve Command–99th Regional Support Command’s new policies and procedures include adequate guidance for performing annual monitoring of quality in accordance with GAS. We expect receipt of the new policies and procedures no later than August 18, 2017.

U.S. Army Reserve Command–200th Military Police Command

The Chief of Staff, responding for the Commander, U.S. Army Reserve Command–200th MPCOM, agreed, stating that although there were no deficiencies cited for USARC-200th MPCOM IR in this area, USARC-200th MPCOM IR will continue to use USARC IR’s Peer Review checklist to perform annual self-assessment reviews. Furthermore, the quality assurance self-assessment procedures are included in the IR Standard Operating Procedures Assurance section. This action was implemented on January 1, 2017.

Our Response

The USARC-200th MPCOM IR did not perform any audits from FY 2013 through 2015, thus, the U.S. Army Reserve Command-200th MPCOM was not required to monitor audit quality during the period of our review. The USARC-200th MPCOM IR was mistakenly included in the recommendation and has been removed from Recommendation 10; therefore, the recommendation is closed for the USARC-200th MPCOM IR.

U.S. Army Reserve Command Comments

The Chief of Staff, responding for the Commander, U.S. Army Reserve Command, partially agreed with our recommendation, stating that the USARC IR office already had a written policy in place for performing annual quality control monitoring in accordance with GAS. Since the conversion to the 511 Auditor job series, USARC IR had not performed a self-assessment. However, USARC IR will ensure annual self-assessments are conducted to document the quality of the USARC audit program. This will ensure the system of quality control is suitable, operating effectively, and summarizes any systemic or repetitive issues that need correction. The recommendation will be implemented by December 31, 2017.

Our Response

Comments from the Chief of Staff addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. The USARC IR office has a written policy in place for performing annual quality control monitoring in accordance with GAS. We deemed the policy adequate during this review.

We will close Recommendation 10 once we verify that USARC IR is completing annual self-assessments. We expect receipt no later than January 31, 2018.

Performance Audits

Deficiency 9. Auditors Did Not Perform Required Audit Planning Steps

Army IR offices did not perform the required audit planning steps. We identified the following audit planning deficiencies at six of nine Army IR offices reviewed.

- IMCOM IR, IMCOM-Fort Meade, TRADOC, USARC-99th RSC, and USASOC IR auditors did not conduct fraud risk assessments during audit planning. GAS 6.30 states that audit team members should discuss fraud risks, including factors such as incentives or pressures to commit fraud, the opportunity for fraud to occur, and rationalizations or attitudes that could allow individuals to commit fraud.
- IMCOM-Fort Meade, USARC-99th RSC, and USASOC IR auditors did not assess audit risk during audit planning. GAS 6.07 states that auditors should assess the significance of audit risk and apply these assessments in defining the audit objectives and the scope and methodology to address those objectives.
- IMCOM-Fort Meade and USARC-200th MPCOM IR auditors did not complete an assessment of information system controls when planning the audit. GAS 6.11 requires auditors to assess audit risk and significance within the context of the audit objectives by gaining an understanding of information system controls. GAS 6.24 states that auditors should obtain a sufficient understanding of information system controls necessary to assess audit risk and plan the audit within the context of the audit objectives.
- IMCOM IR and USARC-200th MPCOM IR auditors did not coordinate with investigative organizations to determine whether there were ongoing investigations or legal proceedings in the audited area. GAS 6.35 states that auditors should avoid interference with investigations and legal proceedings.

Corrective Action Taken

IMCOM IR took corrective action and updated their policies requiring auditors to identify previous audits or investigations related to the audit objective. Further, they updated their quality control checklist for performance audits to require supervisors to certify that the auditors documented the evaluation of any previous or ongoing audits, investigations, or crime prevention surveys. IMCOM IR also updated its policies regarding assessing fraud and included a step in the quality control checklist for performance audits in which supervisors certify that the assessment had been completed. In addition the USASOC IR auditors took corrective action and developed an audit risk assessment and fraud risk assessment working paper templates to be used during audits.

Recommendations, Management Comments, and Our Response

Recommendation 11

The Commanders, Installation Management Command–Fort Meade, Training and Doctrine Command, U.S. Army Reserve Command–99th Regional Support Command, and U.S. Army Reserve Command–200th Military Police Command, should require auditors to establish written procedures that ensure all *Government Auditing Standards* planning requirements are executed, as applicable.

Installation Management Command–Fort Meade Comments

The Commander, Installation Management Command–Fort Meade, agreed, stating that Fort Meade IR instituted the use of fraud risk, audit risk, and data reliability assessments during FY 2016 as new audits were started. Additionally, the IMCOM-Fort Meade IR SOP, which is currently in draft form, will be finalized by June 30, 2017.

Our Response

Comments from the Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open.

We request that the Commander provide us with the finalized SOPs by August 18, 2017. We will close Recommendation 11 once we verify the finalization of the SOPs.

U.S. Army Reserve Command–99th Regional Support Command Comments

The Chief of Staff, responding for the Commander, U.S. Army Reserve Command–99th Regional Support Command, agreed, stating that the 99th IR office has incorporated risk assessment planning, conducting risk assessments, and risk assessment processes into the 99th IR SOP. This action was implemented on November 16, 2016.

Our Response

Comments from the Chief of Staff addressed all specifics of the recommendation; therefore, this recommendation is resolved but will remain open. We will close Recommendation 11 after we receive and verify documentation showing the 99th IR office has incorporated risk assessment planning, conducting risk assessments, and risk assessment processes into the 99th IR SOP. We expect receipt no later than August 18, 2017.

U.S. Army Reserve Command–200th Military Police Command Comments

The Chief of Staff, responding for the Commander, U.S. Army Reserve Command–200th MPCOM, agreed, stating that the auditor took corrective action to update the USARC-200th MPCOM IR SOP planning section. This update requires auditors to identify previous audits or investigations related to the audit. This action was implemented on July 26, 2016.

Our Response

Comments from the Chief of Staff partially addressed the recommendation; therefore, the recommendation is unresolved and remains open. The Chief of Staff did not identify corrective actions the USARC-200th MPCOM IR will take to ensure that auditors complete an assessment of information systems controls when planning an audit in accordance with GAS 6.11.

We request that the Chief of Staff provide additional comments on Recommendation 11 in response to this report by August 18, 2017, describing the actions that the USARC-200th MPCOM IR will take to ensure auditors complete an assessment of information systems controls when planning an audit.

Training and Doctrine Command Comments

The Director, Internal Review and Audit Compliance Office, responding for the Commander, Training and Doctrine Command, partially agreed, stating that this recommendation was already implemented at the time of the DoD OIG site visit. The conduct of fraud risk assessments and all other GAS requirements is in the TRADOC IR SOP dated January 1, 2016. The DoD OIG team validated the sufficiency of the SOP as stated in its information paper and exit briefing.

Our Response

TRADOC IR established policies and procedures shortly before the start of this quality control review in January 2016. However, the policies and procedures didn't exist during the period of review which was December 31, 2013 through December 31, 2015. We evaluated TRADOC's quality control policies and procedures, dated January 1, 2016, which included guidance for conducting fraud risk assessments. We determined that the policies and procedures were adequate and addressed all specifics of the recommendation; therefore, the recommendation is closed.

Deficiency 10. Auditors Did Not Perform Supervisory Reviews

At five of nine Army IR offices reviewed, auditors did not perform sufficient supervisory reviews of working papers. GAS 6.53 and 6.54 state that audit supervisors must properly supervise audit staff and that supervision includes providing sufficient guidance and direction to staff assigned. In addition, GAS 6.83 states that auditors should document supervisory review of the evidence that supports the findings, conclusions, and recommendations contained in the audit report before the audit report is issued. Specifically, the following Army IR offices did not perform sufficient supervisory reviews of working papers.

- The IMCOM-Fort Meade IR supervisor did not review one of six working papers that directly supported facts and figures presented in the audit report. As a result of not reviewing the one working paper, the supervisory auditor did not review

four supporting documents that supported facts and figures presented in the audit report. Our review of the audit report and supporting working papers revealed that facts and figures presented in the audit report differed from those recorded in the audit working papers; however, this was undetected in the supervisory review.

- The TRADOC IR audit manager did not sign and review the only working paper that supported the findings, conclusions, and recommendations before issuing the audit report.
- The USARC-99th RSC IR supervisor did not review three of seven working papers including the quality control checklist. In addition, we identified gaps of an average of 41 days between the preparation date of the working papers and the date of the supervisory review.
- The USARC-200th MPCOM IR supervisor did not review 4 of 35 working papers in the project, including 1 working paper that directly supported the audit universe.
- The USASOC IR supervisor did not review two of nine working papers that directly supported the audit report. The two working papers not reviewed were memorandums of record documenting the results of discussions with audited entity personnel.

Recommendations, Management Comments, and Our Response

Recommendation 12

The Commanders, Installation Management Command–Fort Meade, Training and Doctrine Command, U.S. Army Reserve Command–99th Regional Support Command, U.S. Army Reserve Command–200th Military Police Command, and U.S. Army Special Operations Command, should require audit organizations to improve their understanding of *Government Auditing Standards* for supervision, to include:

- a. Training involving supervisory standards in accordance with *Government Auditing Standards*.**
- b. Requiring auditors to emphasize *Government Auditing Standards* for supervision throughout the audit process.**

Installation Management Command–Fort Meade Comments

The Commander, Installation Management Command–Fort Meade, agreed, stating that during FY 2016, the Fort Meade IR office started using an Audit Process Checklist to help ensure all aspects of the process were completed. One line of the checklist refers to working paper reviews and corrections.

Our Response

Although the Commander did not address the training aspect of the recommendation, the actions taken to strengthen supervision throughout the audit process satisfied the intent of the recommendation. Therefore, the recommendation is resolved, but will remain open. We will close the recommendation after we review the Audit Process Checklist and verify that the information provided and the actions Installation Management Command-Fort Meade takes fully address the recommendation. We expect receipt no later than August 18, 2017.

U.S. Army Reserve Command–99th Regional Support Command Comments

The Chief of Staff, responding for the Commander, U.S. Army Reserve Command–99th Regional Support Command, agreed, stating that the 99th IR office developed an in-office SOP that addresses the supervisor’s responsibilities to conduct a timely review (every other Friday) of the auditor’s working papers. This action was implemented on November 22, 2016.

Our Response

Although the Chief of Staff did not address the training aspect of the recommendation, the actions taken to strengthen supervision throughout the audit process satisfied the intent of the recommendation. Therefore, the recommendation is resolved, but will remain open. We will close the recommendation after we review the in-office SOP and verify that the information provided and the actions USARC-99th RSC IR takes fully address the recommendation. We expect receipt no later than August 18, 2017.

U.S. Army Reserve Command–200th Military Police Command

The Chief of Staff, responding for the Commander, Army Reserve Command–200th MPCOM, agreed, stating that in compliance with USARC IR and GAS guidance, the USARC-200th MPCOM IR receives supervisory audit review from other USARC IR auditors. This is required because the MPCOM IR office is supervised by a nonauditor-qualified IR Chief and also has Troop Program Unit Soldiers who are not auditor qualified.⁹ Furthermore, the USARC-200th MPCOM IR SOP will be updated to include this USARC IR standard for supervisory reviews. This action will be implemented by May 15, 2017.

Our Response

Although the Chief of Staff did not address the training aspect of the recommendation, the actions taken to strengthen supervision throughout the audit process satisfied the intent of the recommendation. Therefore, the recommendation is resolved, but will remain open.

We will close the recommendation after we verify that the USARC-200th MPCOM IR office has incorporated policies for supervisory reviews within the USARC-200th MPCOM IR SOP. We expect receipt no later than August 18, 2017.

⁹ Troop Program Unit Soldiers, unlike active duty, are Army Reserve Soldiers that serve part time, allowing them to earn an extra paycheck, go to school, or work a civilian job while still maintaining many of the benefits of military service.

U.S. Army Special Operations Command

The Deputy to the Commander, responding for the Commander, U.S. Army Special Operations Command, agreed, stating that the USASOC IR SOPs and Quality Control Checklist were updated before the DoD OIG site visit. Each of these documents emphasizes the need for proper supervision throughout the audit process. The DoD OIG reviewed these documents and determined that they were sufficient.

Our Response

Comments from the Deputy to the Commander addressed all the specifics of the recommendation. We reviewed USASOC IR's updated SOPs and Quality Control Checklist and determined that they were sufficient. As a result this recommendation is closed and no further comments are required.

Training and Doctrine Command Comments

The Director, Internal Review and Audit Compliance Office, responding for the Commander, Training and Doctrine Command, partially agreed, stating that one missed working paper is an oversight, not a deficiency. The unsigned working paper was a risk assessment matrix that was used to inform the audit plan but did not directly support findings, conclusions, or recommendations in the audit report. TRADOC will continue to emphasize the importance of GAS for supervision and enforce our SOP, but has no additional corrective actions planned.

Our Response

Although the Director did not address the training aspect of the recommendation, the actions taken to strengthen supervision throughout the audit process satisfied the intent of the recommendation. TRADOC's SOP completed during our review adequately addressed supervision. Therefore, the recommendation is closed.

However, our review determined the unsigned working paper was not a risk assessment matrix that was used to inform the audit plan, instead it was the only working paper that directly supported the findings, conclusions, and recommendations in the final report. Specifically, the working paper directly supported the TRADOC IR's findings, conclusions, and recommendations contained in an ECAB report. The title of the working paper is "ECAB Analysis" and the working paper detailed the TRADOC IR's analysis to perform an independent, objective attestation examination and provide an opinion on the quality assurance plan for the Cyber Center of Excellence Warfighter Information Network-Tactical acquisition. The working paper also recommended changes required before TRADOC ECAB approval and identified ways to mitigate potential weaknesses during the execution phase of a contract.

The ECAB report was issued on September 1, 2015. However, the audit manager signed the working paper on September 3, 2015.

Deficiency 11. Army IR Auditors Did Not Comply With GAS for Documentation

Six of nine Army IR offices reviewed did not follow GAS for assessing data reliability and documenting evidence. Specifically, the IMCOM IR, IMCOM-Fort Carson, IMCOM-Fort Meade, USACE, USARC-99th RSC, and USASOC IR auditors did not assess the reliability of data retrieved from information systems. GAS 6.65 states that when auditors use information provided by officials of the audited entity as part of their evidence, they should determine what the officials of the audited entity or other auditors did to obtain assurance over the reliability of the information. GAS 6.66 also states that the assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data for the intended purposes.

The IMCOM-Fort Meade IR auditors had one audit report that disclosed three statements in the report that were not supported in the project files. For example, the auditor reported:

[a]ll Garrison FedEx shipments are processed through one office by one delegated person with an assigned alternate. Having a specific person with detailed knowledge of the FedEx program requirements and regulations helps to promote consistency in compliance and minimizes unauthorized use.

However, our review of audit working papers did not reveal any work performed to support the initial statement regarding the delegated person or the subsequent assessment of the control. In addition, numbers reported in the audit report differed from those recorded in the audit working papers. For example, auditors reported \$21,656 as the amount spent on FedEx usage for FY 2014; however, our review of supporting audit documentation revealed the amount reported should have been \$19,165.

Additionally, IMCOM-Fort Meade IR auditors did not consistently prepare audit documentation in sufficient detail. GAS 6.56 states that auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions. Specifically, the auditors obtained supporting documentation from the audit client, such as spreadsheets and reports, but did not identify where the information came from, whether it was computer generated, and how it was used. This required us to perform follow-up inquiries with IMCOM-Fort Meade IR personnel to gain an understanding of audit evidence.

The USARC-200th MPCOM IR auditors prepared working papers without documenting the work performed. For example, the meetings and discussions held with the audit client were not documented. GAS 6.79 states that auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the audit evidence obtained, its source, and conclusions reached.

IMCOM-Fort Meade auditors maintained audit documentation outside the official project files. GAS 6.81 states that audit documentation constitutes the principal record of the work that the auditors have performed in accordance with standards and the conclusions that the auditors have reached. Specifically, IMCOM-Fort Meade IR auditors maintained necessary regulations used by the audited entity, record of audit comments received from management officials, and additional e-mail coordination that directly supported conclusions presented in the audit report outside official working papers.

Corrective Action Taken

IMCOM IR auditors took corrective action and updated their policies to require auditors to assess data reliability and added a step to their quality control checklist for performance audits in which supervisors certify that the data reliability assessment was completed. In addition, USASOC IR auditors took corrective action and developed a data reliability assessment working paper template that will be used in their audits.

Recommendations, Management Comments, and Our Response

Revised Recommendation

As a result of management comments received on a draft of this report, we removed the Training and Doctrine Command from Recommendation 13. The Training and Doctrine Command Internal Review Office was listed in the recommendation and not addressed in the draft report Deficiency 11 discussion.

Recommendation 13

The Commanders, Installation Management Command–Fort Carson, Installation Management Command–Fort Meade, U.S. Army Reserve Command–99th Regional Support Command, U.S. Army Corps of Engineers, and U.S. Army Reserve Command–200th Military Police Command, should take action to improve their audit staff’s understanding of the applicable *Government Auditing Standards* requirements for documenting evidence and assessing data reliability.

IMCOM-Fort Carson Comments

The Commander, IMCOM-Fort Carson, agreed, stating that IMCOM-Fort Carson has updated its Internal Review SOP to address policies and procedures for assessing the reliability of computer-processed data. IMCOM-Fort Carson also conducted training to address this standard. The recommended actions were completed on February 3, 2017.

Our Response

Comments from the Commander, IMCOM-Fort Carson, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close Recommendation 13 once we receive the training slides on assessing the reliability of computer-processed data. We expect receipt no later than August 18, 2017.

IMCOM-Fort Meade Comments

The Commander, IMCOM-Fort Meade, agreed, stating that during FY 2016 the IMCOM-Fort Meade IR auditors have implemented the use of data reliability assessments. Also, the auditors are referencing draft reports to ensure that documentation is in the audit folders.

Our Response

Comments from the Commander, IMCOM-Fort Meade, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close Recommendation 13 once we verify the referencing of draft reports. We request that the Commander, IMCOM-Fort Meade, provide us with a copy of one referenced draft report issued during FY 2016. Also, we request that the Commander, IMCOM-Fort Meade, provide us with a data reliability assessment working paper template. We expect receipt no later than August 18, 2017.

U.S. Army Reserve Command-99th Regional Support Command Comments

The Chief of Staff, USARC-99th RSC, responding for the Commander, 99th RSC, agreed, stating that the IR office has included a data reliability process within the 99th RSC IR SOP. This process will be followed for all future audits and was implemented on November 28, 2016.

Our Response

Comments from the Chief of Staff, USARC-99th RSC, addressed all specifics of the recommendation; therefore, the recommendation is closed. We reviewed the 99th RSC IR SOP, dated November 28, 2016, and it includes policy for assessing data reliability.

U.S. Army Reserve Command-200th Military Police Command Comments

The USARC-200th MPCOM Chief of Staff, responding for the USARC-200th MPCOM IR Commander, agreed, stating it will implement GAO-09-680G, "Assessing the Reliability of Computer-Processed Data," during the planning phase of each audit engagement. This action will be implemented by July 7, 2017.

Our Response

Comments from the Chief of Staff, USARC-200th MPCOM, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close Recommendation 13 once we verify the USARC-200th MPCOM IR office implementation of the process for assessing computer-processed data. We request that the USARC-200th MPCOM IR provide us with the working paper template that will be used to assess the reliability of computer-processed data. Also, please provide us with the USARC-200th MPCOM policy that will implement GAO-09-680G. We expect receipt no later than August 18, 2017.

U.S. Army Corps of Engineers Comments

The Commander, USACE, disagreed with the deficiency, stating that USACE IR auditors rely on KPMG's annual accreditation and believe it is unnecessary to duplicate KPMG's work. KPMG is an external auditor responsible for performing a review of USACE's accounting system. USACE agreed that it did not fully document its reliance on KPMG's work for assessing the reliability of data retrieved from information systems. The Commander, USACE, agreed to include a statement of information reliability in its working papers. The Commander, USACE, stated the DoD OIG did not address the USACE IR corrective action in the draft report. The Commander, USACE, stated that the DoD OIG should remove the "X" in Table 6, "Deficiencies for Performance Audits by Location," for the GAS "Documentation and Evidence" row.

Our Response

Comments from the Commander, USACE, addressed all specifics of the recommendation; therefore the recommendation is resolved but will remain open. We request the Commander, USAECE, provide us with the KPMG statement of information reliability by August 18, 2017. We will close the recommendation upon receipt of this documentation. Based on management comments received, we removed Tables 5, 6, and 7 and Enclosure 2 from the report and renumbered the enclosures accordingly.

Training and Doctrine Command Comments

The Director, TRADOC Internal Review and Audit Compliance, responding for the Commander, TRADOC, disagreed, stating that TRADOC IR office is mistakenly listed in the recommendation and not addressed in the draft report Deficiency 11 discussion.

Our Response

We agree that the Commander, TRADOC, was mistakenly listed in the recommendation. The Commander, TRADOC, has been removed from Recommendation 13. Comments from the Director, TRADOC Internal Review and Audit Compliance, addressed all specifics of the recommendation; therefore, the recommendation is closed.

Deficiency 12. Auditors Did Not Comply With GAS Reporting Requirements

IMCOM IR and USARC-200th MPCOM IR auditors did not comply with GAS reporting requirements. Specifically, the IMCOM IR auditors did not describe in the Scope and Methodology section of the report the relationship between the total daily activity reports in the universe to the daily activity reports selected for review. GAS 7.12 states that when describing the work conducted to address the audit objectives and support the reported findings and conclusions, auditors should, as applicable, explain the relationship between the population and the items tested.

In addition, the USARC-200th MPCOM IR auditors did not identify the appropriate cause for the identified audit condition. Specifically, one auditor repeated the condition statements as the cause. Specifically, the audit condition was, “the Leave/Pass Administrator had no adequate training to qualify personnel as a leave and Pass Program Administrator” while the audit cause was, “untrained personnel were assigned to perform the task.” The other report identified causes that could be mistaken as condition statements. For example, the Results section states “only 69% of LIK [lodging in kind] participants has a signed MOU on file.” Our assessment of the paragraph was that it was the condition paragraph. GAS 6.76 requires the auditor to identify the reason or explanation for a condition or the factor or factors responsible for the difference between the situation that exists and the required or desired state.

Finally, the USARC-200th MPCOM IR auditors included two recommendations that did not have a related condition or cause. Specifically, one recommendation directed the assignment of an alternate leave control manager. However, a cause was not included in the report to identify a deficiency in not having an assigned alternate leave control manager. The other audit report stated that internal control processes were not followed. However, the audit report did not identify a cause for why the established internal control processes were not followed. GAS 7.28 states that auditors should recommend actions to correct deficiencies or other findings identified during the audit. Also, GAS states that recommendations should flow logically from the findings and conclusions and should be directed at resolving the cause of identified deficiencies and findings.

Corrective Action Taken

IMCOM IR took corrective action and updated its policies, requiring auditors to specify details of the sampling plan and adding a step in the quality control checklist in which supervisors certify that the details of the sampling plan were documented.

Recommendations, Management Comments, and Our Response

Recommendation 14

The Commander, U.S. Army Reserve Command–200th Military Police Command, should provide training on reporting results in compliance with the *Government Auditing Standards*.

U.S. Army Reserve Command–200th Military Police Command Comments

The Chief of Staff, USARC-200th MPCOM, responding for the Commander, 200th MPCOM, agreed, stating that the auditor has removed the additional recommendations from the report to ensure the report findings flow logically to resolve the cause of the identified deficiency. Also, the auditor has amended the audit report date to September 28, 2016, to reflect those changes. The SOP will include a section on the elements of a finding. This action will be implemented by May 1, 2017.

Our Response

Comments from the Chief of Staff, USARC-200th MPCOM, partially addressed the recommendation; therefore, the recommendation is unresolved and remains open. Specifically, the Chief of Staff did not address the training that USARC-200th MPCOM IR will provide on reporting results. We request that the Commander provide additional comments regarding evidence of training on reporting results in compliance with GAS by August 18, 2017.

Deficiency 13. Auditors Did Not Incorporate GAS Compliance Statements

GAS 2.23 states that when auditors are required to perform an audit in accordance with GAS or are representing to others that they did so, they should cite compliance with GAS in the auditors' report. GAS 2.24a states that the auditor should include an unmodified GAS compliance statement when the auditor performed the audit in accordance with GAS. Further, GAS 2.24b states that:

[a] modified GAS compliance statement is included when the auditor performed the audit in accordance with GAS, except for specific applicable requirements that were not followed, or because of the significance of the departure(s) from the requirements, the auditor was unable to and did not perform the audit in accordance with GAS.

At four of nine Army IR offices reviewed, we determined that auditors did not incorporate GAS compliance statements.

- The IMCOM-Fort Carson IR auditors included a GAS compliance statement that was not consistent with GAS 2.24a in the final report. It stated “the review was performed in accordance with GAS” instead of “the audit was performed in accordance with GAS.”

- The IMCOM-Fort Meade IR auditors included an unmodified GAS compliance statement in one audit report indicating the work was conducted in accordance with GAS. However, we found deviations from GAS in the competence, planning, supervision, audit evidence and documentation, reporting, and quality control standards.
- The USACE IR auditors used similar variations of the following statement.

We conducted this audit in accordance with internal review standards contained in Army Regulation 11-7, Army Internal Review Program. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.
- The USASOC IR auditors did not include GAS compliance statements in the three audit reports reviewed.

Corrective Action Taken

USACE IR took corrective action and now includes GAS compliance statements in its audit reports. In addition, USASOC IR took corrective action and updated their Quality Control Checklist to include the requirement on GAS compliance statements in its audit reports.

Recommendations, Management Comments, and Our Response

Revised Recommendation

As a result of management comments received, we revised draft report Recommendation 15. We removed the U.S. Army Special Operations Command from Recommendation 15. We recognize that the U.S. Army Special Operations Command took corrective action and updated their Quality Control Checklist and USASOC IR SOP to include the requirement on GAS compliance statements in its audit reports. We updated the report to address the U.S. Army Special Operations Command corrective action.

Recommendation 15

The Commanders, Installation Management Command–Fort Carson, and Installation Management Command–Fort Meade, should develop policies and procedures so that the auditors appropriately incorporate *Government Auditing Standards* compliance statements in audit reports.

IMCOM-Fort Carson Comments

The Commander, IMCOM-Fort Carson, agreed, stating that it has reviewed and updated policies and procedures in the IMCOM-Fort Carson Internal Review SOP. The incorrect GAS compliance statement appeared in an audit report published shortly after the

IMCOM-Fort Carson transition to GS-511 Auditors. Upon review of subsequent audit reports, IMCOM-Fort Carson IR determined this was a one-time oversight. These actions were completed on January 31, 2017.

Our Response

Comments from the Commander, IMCOM-Fort Carson, addressed all specifics of the recommendation; therefore, the recommendation is closed. We reviewed the updated Internal Review SOP, and it states that each report should contain GAS compliance statements.

IMCOM-Fort Meade Comments

The Commander, IMCOM-Fort Meade, agreed, stating that it started using an Audit Process Checklist to help ensure that all aspects of the process are completed. The checklist includes ensuring the correct GAS compliance statement in the audit report. Also, this requirement will be included in the IMCOM-Fort Meade IR SOP. This action will be completed by June 30, 2017.

Our Response

Comments from the Commander, IMCOM-Fort Meade, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close Recommendation 15 once we verify that the Audit Process Checklist and IMCOM-Fort Meade IR SOP both address audit report GAS compliance statements. We expect receipt of the Audit Process Checklist and IMCOM-Fort Meade SOP no later than August 18, 2017.

USASOC Comments

The Deputy to the Commanding General, USASOC, responding for the USASOC Commander, agreed, stating that the USASOC IR SOP and Quality Control Checklist include this requirement. The corrective action was in place during the peer review.

Our Response

During our review, USASOC IR took corrective action and updated the USASOC IR SOP and Quality Control Checklist to address audit report GAS compliance statements. Therefore, the recommendation is closed.

Attestation Engagements

Deficiency 14. Auditors Did Not Comply With Attestation General Standards

The IMCOM-Fort Meade IR auditors did not follow GAS general standards¹⁰ for conducting examination and review-level attestation engagements. GAS 5.01 states that the requirements and guidance contained in GAS chapters 1-3 also apply to attestation engagements performed in accordance with GAS. Additionally, GAS 2.09 states that auditors should not perform review-level work for reporting on internal control or compliance with provisions of laws and regulations.

Specifically, IMCOM-Fort Meade IR auditors incorrectly performed a review attestation to determine the adequacy of internal controls for the Statement of Budgetary Resources, Grants, and Cooperative Agreements. However, GAS 2.09 prohibits auditors from conducting review attestations when conducting internal control reviews. Instead, the work should have been performed as an examination engagement.

Recommendations, Management Comments, and Our Response

Recommendation 16

The Commander, Installation Management Command–Fort Meade, should provide training to staff to improve the auditors’ understanding and knowledge of attestation general standards.

IMCOM-Fort Meade Comments

The Commander, IMCOM-Fort Meade, agreed, stating that this recommendation pertains to an attestation engagement that was completed in FY 2014. GAS 2.09 states that auditors should not perform review-level work for reporting on internal control or compliance with provisions of laws and regulations. Beginning in FY 2017, IMCOM IR will no longer perform attestation engagements.

Our Response

Comments from the Commander, IMCOM-Fort Meade, addressed all specifics of the recommendation; therefore, the recommendation is closed. We accept the IMCOM-Fort Meade IR decision to no longer perform attestation engagements beginning in FY 2017. We advise IMCOM-Fort Meade IR staff to provide training to auditors on attestation general standards if IMCOM-Fort Meade IR decides to perform future attestation engagements.

¹⁰ Auditors performing attestation engagements in accordance with GAS should comply with the AICPA general attestation standard for criteria, fieldwork and reporting, and the corresponding statements on standards for attestation engagements.

Deficiency 15. Auditors Did Not Comply With GAS and AICPA Standards

The IMCOM-Fort Meade and TRADOC IR auditors did not comply with GAS and AICPA requirements when conducting attestation engagements. GAS 5.02 states that auditors performing an attestation engagement should determine which of the three levels of service apply to that engagement and refer to the appropriate AICPA standards and GAS section for applicable requirements and considerations. Specifically, IMCOM-Fort Meade IR auditors did not document the attestation level of service performed; examination, review, or agreed-upon procedures; when conducting a review—level attestation engagement. In addition, TRADOC IR auditors did not plan an engagement to ensure that the appropriate attestation level of service was used when performing their work. The project guide incorrectly stated that the work performed was a review, instead of an examination-level engagement.

IMCOM-Fort Meade IR auditors also did not coordinate with management to establish an understanding of services to be performed, including the engagement objectives, management and auditor responsibilities, and limitations on the engagement. GAS 5.54 states that AICPA standards require auditors to establish an understanding with the audited entity regarding the services to be performed for each attestation engagement. The understanding includes the objectives of the engagement, responsibilities of management and auditors, and limitations on the engagement. For the three examination attestations reviewed, TRADOC IR auditors stated that they did not hold meetings with the TRADOC Resource Management Office or the TRADOC requiring activity¹¹ as part of the attestation procedures. TRADOC IR auditors also stated that their annual plan includes the requirement for them to complete examinations on all Executive Contract Approval Board-level actions; therefore, it was not necessary to coordinate meetings or entrance conferences with the TRADOC Resource Management Office or the TRADOC requiring activity to discuss the examination request.

TRADOC IR auditors did not identify or explain criteria for an examination attestation. Instead, the criteria were mentioned in the report's recommendations. GAS 5.12 defines criteria as the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. Further, criteria provide a context for evaluating evidence and understanding the findings. AICPA Attestation Standard 1.01, section 33c, states that the criteria should be presented clearly in the practitioner's report.

¹¹ The TRADOC requiring activity is the Army organization that has a need for goods or services that may be satisfied through a contract requirement.

TRADOC IR auditors did not assess the risk and design for two examination engagements to detect fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that may have a material effect on the subject matter or the assertion for one of the examination engagements. GAS 5.07 states that auditors should assess the risk and possible effects of fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that could have a material effect on the subject matter or an assertion about the subject matter of the examination engagement. When risk factors are identified, auditors should document the risk factors identified, the auditors' response to those risk factors individually or in combination, and the auditors' conclusions.

Recommendations, Management Comments, and Our Response

Recommendation 17

The Commanders, Installation Management Command–Fort Meade, and Training and Doctrine Command, should provide training to staff to improve the auditors' understanding and knowledge of the *Government Auditing Standards* and American Institute of Certified Public Accountants requirements for conducting attestation engagements.

IMCOM–Fort Meade Comments

The Commander, IMCOM–Fort Meade, agreed, stating that this recommendation pertains to an attestation engagement that was completed in FY 2014. GAS 2.09 states that auditors should not perform review-level work for reporting on internal control or compliance with provisions of laws and regulations. Beginning in FY 2017, IMCOM IR will no longer perform attestation engagements.

Our Response

Comments from the Commander, IMCOM–Fort Meade, addressed all specifics of the recommendation; therefore, the recommendation is closed. We accept the IMCOM–Fort Meade IR decision to no longer perform attestation engagements beginning in FY 2017. We advise IMCOM–Fort Meade IR staff to provide training to auditors on attestation general standards if IMCOM–Fort Meade IR decides to perform future attestation engagements.

Training and Doctrine Command Comments

The Director, TRADOC Internal Review and Audit Compliance, responding for the Commander, TRADOC Commander, partially agreed with the recommendation. TRADOC IR auditors performed 46 attestation engagements during the review period. Two of the three attestations started 90 days before the GS-0511 conversion. One engagement started before the conversion was transitioned from a review to an attestation. The Director stated

that TRADOC IR auditors performed a tremendous amount of work during the conversion and had to determine how to conduct attestations that were previously done as reviews and evaluations. Also, TRADOC IR had a memorandum of understanding in place for the attestations done for ECAB actions. This memorandum of understanding was in place with its Resource Management Office, thus, making entrance conferences an inefficient use of time on short-suspense engagements. Further, the Director, Internal Review and Audit Compliance, agreed to provide training to the IR staff members within 6 months.

Our Response

Comments from the Director, TRADOC Internal Review and Audit Compliance, did not address all specifics of the recommendation; therefore, the recommendation is unresolved and remains open. We understand that TRADOC started two of the attestations before the GS-511 conversion. However, the attestations did not comply with GAS and AICPA reporting standards. Both final reports state that the auditors performed the attestation engagements in accordance with GAS. Therefore, the TRADOC IR auditors accepted the responsibility for reporting in accordance with GAS. Further, we were not aware of the memorandum of understanding, either during or after the site visit.

We request the Director, TRADOC Internal Review and Audit Compliance, provide information on the specific training that will be provided. Also, we request the Director, TRADOC Internal Review and Audit Compliance, provide a copy of the memorandum of understanding for the Executive Contract Approval Board attestations. We expect receipt no later than September 29, 2017.

Deficiency 16. Auditors Did Not Comply With GAS and AICPA Reporting Standards

IMCOM–Fort Meade and TRADOC IR auditors did not comply with GAS and AICPA reporting requirements for attestation engagements. Specifically, IMCOM–Fort Meade IR auditors did not include all of the required elements when reporting the results of a review attestation. For example, the report was not written in the form of negative assurance¹² and did not contain the following required elements.

- A title that includes the word “independent” (AICPA Attestation Engagements Standard 101.89).
- A statement that the subject matter is the responsibility of the responsible party (AICPA Attestation Engagements Standard 101.89).
- Timeframe of the work to be performed (AICPA Attestation Engagements Standard 101.47).
- The objective of the engagement (AICPA Attestation Engagements Standard 101.63).

¹² Negative assurance is a representation that particular facts are believed to be accurate because no contrary evidence has been found.

- Significant reservations about the engagement or the subject matter (AICPA Attestation Engagements Standard 101.71).
- A statement that the review engagement is substantially more narrow in scope than an examination engagement (GAS 5.57).

In addition, TRADOC IR auditors did not obtain and report the views of responsible officials or planned corrective action for two examination attestations. GAS 5.32 states that when performing a GAS examination engagement, if the examination report discloses deficiencies in internal control; fraud; noncompliance with provisions of laws, regulations, contracts, or grant agreements; or abuse, auditors should obtain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations, as well as any planned corrective actions.

Also, TRADOC IR auditors did not include a statement that the work was conducted in accordance with GAS in the final report. GAS 5.19 states that when auditors comply with all applicable GAS requirements for examination engagements, they should include a statement in the examination report that they performed the examination engagement in accordance with GAS. For one report, TRADOC IR auditors stated that they conducted an attestation engagement in accordance with standards outlined in the June AR 11-7, and not in accordance with GAS.

Recommendations, Management Comments, and Our Response

Recommendation 18

The Commanders, Installation Management Command–Fort Meade, and Training and Doctrine Command, should provide training to staff to improve the auditors’ understanding and knowledge of the *Government Auditing Standards* and American Institute of Certified Public Accountants reporting requirements for attestation engagements.

IMCOM–Fort Meade Comments

The Commander, IMCOM–Fort Meade, agreed, stating that this recommendation pertains to an attestation engagement that was completed in FY 2014. GAS 2.09 states that auditors should not perform review-level work for reporting on internal control or compliance with provisions of laws and regulations. Beginning in FY 2017, IMCOM IR will no longer perform attestation engagements.

Our Response

Comments from the Commander, IMCOM–Fort Meade, addressed all specifics of the recommendation; therefore, the recommendation is closed. We accept the IMCOM–Fort Meade IR decision to no longer perform attestation engagements beginning in FY 2017. We advise IMCOM–Fort Meade IR staff to provide training to auditors on attestation general standards if IMCOM–Fort Meade IR decides to perform future attestation engagements.

Training and Doctrine Command Comments

The Director, TRADOC Internal Review and Audit Compliance, responding for the Commander, TRADOC, partially agreed with the recommendation. TRADOC IR will provide training to its audit staff within 6 months. TRADOC IR requests management comments and includes views of responsible officials when it receives them. The two engagements reviewed had very short suspense dates (2 weeks) to provide comments. Once the contracts were decided, subsequent management views were overcome by events. TRADOC IR has changed its procedures to ensure it includes the views of responsible officials.

Our Response

Comments from the Director, TRADOC Internal Review and Audit Compliance, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We request that the Commander, TRADOC, provide information on the specific training that will be provided on the GAS and AICPA reporting requirements for attestation engagements. We expect receipt no later than September 29, 2017.

As is customary, we have issued a letter of comment, dated July 14, 2017, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report. We appreciate the courtesies extended to the staff. For additional information on this report, please contact Ms. Carolyn R. Hantz at (703) 604-8877 (DSN 664-8877) or Carolyn.Hantz@dodig.mil.



Randolph R. Stone
Deputy Inspector General
Policy and Oversight

Enclosures:
As stated

Enclosure 1

Scope and Methodology

We tested compliance with the Army IR Program’s system of quality control to the extent we considered appropriate. These tests included a review of the audit reports that the Army IR offices issued from December 31, 2013, through December 31, 2015. The Headquarters Army IR did not issue any audit reports during the period of this quality control review. Table 1 identifies the 17 audit reports we reviewed and the Army IR office that conducted the audit.

Table 1. Reviewed Audits Performed by Army IR Offices

Army IR Office	Audit Title	Report Number and Issuance Date	Type of Review
IMCOM	Family Morale, Welfare, and Recreation, Cash Controls (Europe Region)	NAF 2015-001, May 4, 2015	Performance
	Family Morale, Welfare, and Recreation, Digital Signage Program Management	NAF 2015-002, August 13, 2015	Performance
IMCOM–Fort Carson	Review of Army Emergency Relief for Calendar Year 2014	IMCR-IR 2015-023, April 9, 2015	Performance
	Verification of Cash Held by the Fort Carson Defense Military Pay Office	IMCR-IR 2015-061, September 23, 2015	Performance
	Audit of the Fort Carson Qualified Recycling Program	IMCR-IR 2015-042, December 30, 2015	Performance
IMCOM–Fort Meade	Review of the Fort Meade Metered Mail/UPS/FedEx Accounts	14-IR-08, February 27, 2015	Performance
TRADOC	Audit of Key DLIFLC Mission Areas	ATIR 15-48, September 30, 2015	Performance
USACE IR	Audit of Cooperative Joint Management Agreements (CJMAs) for Operation of USACE Recreation Facilities by Non-Profit 501c Foundations	2014-02, August 19, 2014	Performance
	Audit of Internal Controls over Cash Receipts at Recreational Facilities	2014-03, October 2014	Performance
USARC IR	Follow-up Review of US Army Audit Agency (USAAA) Audit Report No. A-2013-0091-FMF, “Controls Over the Incentive Program in the Army Reserve Command”	2015-036, October 16, 2015	Follow-Up
	Follow-up Audit of USAAA Audit Report No. A-2015-0106-MTM, “U.S. Army Reserve Medical Demobilization Process”	2015-043, December 10, 2015	Follow-Up

Table 1. Reviewed Audits Performed by Army IR Offices (cont'd)

Army IR Office	Audit Title	Report Number and Issuance Date	Type of Review
USARC-99th RSC	Audit of Directorate of Human Resources, Health Services Branch's Process Relative to Medical Evaluation Board Packets	2014-006, July 13, 2015	Performance
USARC-200th MPCOM	AGRs Leave/Pass Audit Report	2016-002, February 26, 2016*	Performance
	Audit of Lodging in Kind (LIK)	2016-001, April 21, 2016*	Performance
USASOC IR	Travel Voucher Audit	EV06-2014, September 30, 2014	Performance
	USASOC Foreign Language Proficiency Bonus (FLPB 1/1) Program	EV01-15, June 30, 2015	Performance
	Audit of Informal Funds, Headquarters USASOC	IR-CORB 03-15, September 24, 2015	Performance

AGR Active Guard and Reserves

DLIFLC Defense Language Institute Foreign Language Center

* The report was issued after the period of our review. We selected this report because this office did not issue any audit reports during the period of our review.

Table 2 identifies the five attestation engagements we reviewed.

Table 2. Attestation Engagements Performed by Army IR Offices

Army IR Office	Project Number/Title	Report Number	Report Date
IMCOM–Fort Meade	Review of Key Controls for the Statement of Budgetary Resources (SBR)	IR 14-06	July 1, 2014
TRADOC	Maneuver Center of Excellence (MCoE) Airborne Ranger Training Brigade (ARTB) Aviation Maintenance Contract, Executive Contract Approval Board (ECAB)	ATIR 14-19	February 24, 2014
	Financial Internal Controls for the Draper Armor Leadership Award Fund	ATIR 14-22	March 24, 2014
	Risk Assessment of Internal Controls at the Rapid Equipping Force (REF)	ATIR/501-7127	July 7, 2015
	Independent Examination of the Cyber Center of Excellence (CoE) Warfighter Information Network-Tactical (WIN-T) Contract for the TRADOC ECAB	ATIR 15-43	September 1, 2015

We also tested GAS and Army IR policy compliance for CPE hours. We could not determine whether USARC-99th RSC IR auditors met GAS CPE requirements because the audit organization did not complete a full 2-year training cycle during our review period. We were unable to review internal quality control reviews performed at the Army IR because it did not perform any such reviews. Additionally, we interviewed personnel at the Army IR and Army IR offices to determine their understanding of and compliance with quality control policies and procedures. Finally, we reviewed Army IR and the Army IR offices' audit policies and procedures.

We did not review the National Guard Bureau Internal Review Office, which is an office within the Army IR. We separately reviewed the National Guard Bureau IR and issued the final report, DoD Office of Inspector General (OIG) Report No. DODIG-2016-035, "External Peer Review Report on the National Guard Bureau Internal Review Office," December 18, 2015. Table 3 identifies the Army IR offices we visited.

Table 3. Army IR office Site Visit Locations

Army IR Office	Location
Army	Arlington, Virginia
IMCOM	Fort Sam Houston, Texas
IMCOM–Fort Carson	Fort Carson, Colorado
IMCOM–Fort Meade	Fort Meade, Maryland
TRADOC	Fort Eustis, Virginia
USACE	Washington, D.C.
USARC	Fort Bragg, North Carolina
USARC-99th RSC	Fort Dix, New Jersey
USARC-200th MPCOM	Fort Meade, Maryland
USASOC	Fort Bragg, North Carolina

Enclosure 2

Notice of Concern



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

June 29, 2016

MEMORANDUM FOR COMMANDING GENERAL, UNITED STATES ARMY
INSTALLATION MANAGEMENT COMMAND

SUBJECT: Notice of Concern-Installation Management Command, Internal Review Office
(IMCOM IR) Reorganization Impact on Independence
(Project No. D2016-DAPOIA-0082.000)

The reorganization of the Installation Management Command (IMCOM) may affect the independence and the impact of audit reports that the IMCOM Internal Review Office issues. Generally Accepted Government Auditing Standards (GAGAS) 3.31 states that internal auditors who work under the direction of the audited entity are considered independent if the head of the organization:

- is accountable to the head or deputy head or those charged with governance;
- reports the audit results to the head or deputy head of the government entity and to those charged with governance;
- is located organizationally outside the staff or line-management function of the unit under audit;
- has access to those charged with governance; and
- is sufficiently removed from political pressures to conduct audits and report findings, opinions, and conclusions objectively without fear of reprisal.

In addition, Army Regulation 11-7 states that Commanders will ensure Internal Review (IR) offices are organizationally aligned as independent activities that report directly to the commander, principal deputy commander, or chief of staff of their respective installation/garrison, division, district, or activity. As an independent office, the IR office will not be aligned under another directorate or staff section.

A proposal has been drafted for IMCOM to realign its IR office with the G8 Resource Management Directorate. The IMCOM G8 Resource Management Directorate's mission is to resource IMCOM responsibly as determined by the Command's deliberative forums, support execution of Commanders' priorities, and provide accountability to Headquarters, Department of the Army, and ultimately to the American People. The goals of the IMCOM G8 are to resource validated requirements, innovate the evolution of better business practices, empower people to act freely and responsibly, and enable decision-makers. Under the proposed reorganization, the IMCOM IR Office will report directly to the Director, G8 Resources Management Directorate. Before the reorganization the IMCOM IR Office reported to the Commanding General, IMCOM.

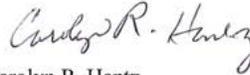
Notice of Concern (cont'd)

As defined in GAGAS 3.14g, a structural threat is the threat that an audit organization's placement within a Government entity, in combination with the structure of the Government entity being audited, will impact the audit organization's ability to perform work and report results objectively. Further, as stated in GAGAS 3.15, a circumstance resulting in a structural threat to independence may also expose auditors to undue influence and management participation threats.

To comply with Army Regulation 11-7 and GAGAS requirements, we recommend that the Commanding General, IMCOM, not restructure the organization so that the IMCOM IR Office reports directly to the G8 Resources Management Directorate. The IMCOM IR Office should report directly to the Commanding General, IMCOM, or his deputy as required by Army Regulation 11-7 and GAGAS.

We issue a notice of concern to alert DoD management of significant findings that require immediate attention. The finding that generated this notice of concern and any corrective action taken by management will be included in an upcoming DoD Office of Inspector General draft report.

Please provide a written response to the above recommendation by July 15, 2016. Please direct any questions to [REDACTED] or me at (703) 604-8877 (DSN 664-8877), Carolyn.Hantz@dodig.mil.



Carolyn R. Hantz
Assistant Inspector General
Audit Policy and Oversight

cc: Assistant Secretary of the Army (Financial Management & Comptroller)



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

July 14, 2017

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Letter of Comment (Report No. DODIG-2017-100)

We reviewed the system of quality control for the Army IR Program in effect for the year ended December 31, 2015, and have issued our final report on July 14, 2017, in which the Army IR Program received a rating of fail. The enclosed report should be read in conjunction with the comments in this letter, which were considered in determining our opinion. The following findings were not considered to be of sufficient significance to affect the opinion expressed in the report.

Operation and Design of the System of Quality Control

Finding 1. Army IR Offices Did Not Develop Policies Related to Independence

Our reviewed disclosed that seven of nine Army IR offices did not develop policies related to independence.

- The IMCOM–Fort Meade, TRADOC, USARC-99th RSC, and USARC-200th MPCOM IR auditors did not develop policies for applying the GAS conceptual framework to identify and document independence threats and safeguards. GAS 3.08 states that auditors should apply the conceptual framework at the audit organization, audit, and individual auditor levels to identify threats to independence; evaluate the significance of threats; and apply safeguards as necessary to eliminate the threats or reduce them to an acceptable level.
- The USARC IR auditors did not have policies and procedures on threats to independence and safeguards that need to be applied when independence impairments are identified. GAS 3.08 states that auditors should identify threats to independence; evaluate the significance of the threats identified, both individually and in the aggregate; and apply safeguards as necessary to eliminate the threats or reduce them to an acceptable level.
- The IMCOM–Fort Meade and USARC-200th MPCOM IR auditors did not develop policies and procedures for obtaining management’s assurance that managers perform their management functions and assume their responsibilities for performing the nonaudit service. Because neither office had policies and procedures, they could perform nonaudit services that would create threats to their independence. GAS 3.34 states that before an auditor agrees to provide a nonaudit service to an audited entity, the auditor should determine whether providing such a service would create a threat to independence.

- The IMCOM–Fort Carson, IMCOM–Fort Meade, USARC-99th RSC, and USARC-200th MPCOM IR auditors did not develop policies to address threats to independence that were identified after the auditors’ report was issued. GAS 3.26 states that if a threat to independence is identified after the auditors’ report is issued, the auditor should evaluate the threat’s impact on the audit and on GAS compliance. Although the IR offices did not have any instances of a threat to independence after report issuance, they should have a policy to address threats to independence after report issuance to comply with auditing standards.
- The USACE IR auditors did not fully develop policies to document independence considerations. GAS 3.59 states that although insufficient documentation of an auditor’s compliance with the independence standard does not impair independence, GAS requires appropriate documentation. These requirements include documenting threats to independence that require the application of safeguards, along with the safeguards applied in accordance with the conceptual framework for independence.

Corrective Action Taken

USARC IR auditors took corrective action and updated their policies to address independence threats and safeguards for audits. In addition, TRADOC IR auditors took corrective action and developed their policies and procedures immediately before the start of our review.

Recommendations, Management Comments, and Our Response

Revised Recommendation

As a result of management comments received, we revised draft Report Recommendation 19. We removed the U.S. Army Training and Doctrine Command from Recommendation 19. We recognize that the U.S. Army Training and Doctrine Command took corrective action and developed their policies and procedures immediately before the start of our review. We updated the report to address the U.S. Army Training and Doctrine Command's corrective action.

Recommendation 19

The Commanders, Installation Management Command–Fort Carson, Installation Management Command–Fort Meade, U.S. Army Corps of Engineers, U.S. Army Reserve Command–99th Regional Support Command, and U.S. Army Reserve Command–200th Military Police Command, should develop policies that address *Government Auditing Standards* independence requirements.

IMCOM–Fort Carson Comments

The Commander, IMCOM–Fort Carson, agreed, stating that it has updated policies and procedures in the IMCOM–Fort Carson IR SOP. This action was completed on June 29, 2016.

Our Response

Comments from the Commander, IMCOM Fort-Carson, addressed all specifics of the recommendation. We reviewed the updated IMCOM-Fort Carson IR SOP, dated June 29, 2016, and it includes policy for addressing independence threats that are identified after the audit report is issued; therefore, the recommendation is closed.

IMCOM–Fort Meade Comments

The Commander, IMCOM–Fort Meade, agreed, stating that this area will be included in its SOP. This action will be completed by June 30, 2017.

Our Response

Comments from the Commander, IMCOM–Fort Meade, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close Recommendation 19 once we verify that the SOP has been updated to address this independence standard. We expect receipt no later than August 18, 2017. We will close this recommendation when we receive a copy of the USARC IR independence memorandum template.

U.S. Army Reserve Command–99th Regional Support Command Comments

The Chief of Staff, USARC-99th RSC, responding for the Commander, USARC-99th RSC, agreed, stating that the USARC-99th RSC IR SOP contains policy for identifying and documenting independence threats and safeguards. Also, the USARC-99th RSC IR is using the USARC IR independence memorandum template for all future audits. This action was completed on December 6, 2016.

Our Response

Comments from the Chief of Staff, USARC-99th RSC, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. The 99th RSC IR SOP, dated November 28, 2016, includes policy for identifying and documenting threats to independence after the audit report is issued. Please provide a copy of the USARC IR independence memorandum template. We expect receipt no later than August 18, 2017.

U.S. Army Reserve Command–200th Military Police Command Comments

The Chief of Staff, USARC-200th MPCOM, responding for the Commander, USARC-200th MPCOM, agreed, stating that the USARC-200th MPCOM IR auditor took corrective action and updated the USARC-200th MPCOM IR SOP to address independence threats and safeguards. Also, the USARC-200th MPCOM IR office prepares Auditor Independence Declaration Statements for each audit engagement. This action was completed on July 17, 2016.

Our Response

Comments from the Chief of Staff, USARC-200th MPCOM, addressed all specifics of the recommendation. The USARC-200th MPCOM IR auditors took corrective action and updated the USARC-200th MPCOM IR SOP, dated July 15, 2016, to address independence threats and safeguards. We reviewed this SOP and confirmed that it addresses independence threats and safeguards; therefore, the recommendation is closed.

U.S. Army Corps of Engineers Comments

The Commander, USACE, disagreed and stated that USACE IR initiated the policy of completing an annual statement of independence for each USACE IR auditor. The Commander, USACE, stated that this corrective action should have been included in our report.

Our Response

Because comments from the Commander, USACE, did not address the recommendation, the recommendation is unresolved and remains open. USACE IR has a procedure for completing an annual statement of independence that has not been incorporated into its audit policy. USACE IR should address this requirement and other independence considerations in its audit policies. GAS 3.88 states that audit organizations should establish policies and procedures on independence, legal, and ethical requirements that are designed to provide reasonable assurance that the audit organization and its personnel maintain independence and comply with applicable legal and ethical requirements. We request that the Commander, USACE, provide comments in response to this report that address the specifics of the recommendation by August 18, 2017.

Training and Doctrine Command Comments

The Director, TRADOC Internal Review and Audit Compliance, responding for the Commander, TRADOC Commander, disagreed, stating that GAS independence requirements are addressed in the TRADOC IR SOP, dated January 1, 2016. The Director further stated that the DoD OIG validated the sufficiency of this SOP in the DoD OIG information paper and the exit briefing.

Our Response

Comments from the Director, TRADOC Internal Review and Audit Compliance, addressed all specifics of the recommendation; therefore, the recommendation is closed. We recognize that TRADOC IR took corrective action and developed its policies and procedures immediately before the start of our review. We updated the report to address the TRADOC IR corrective action.

Finding 2. USARC-200th MPCOM IR Auditors Did Not Develop Policies to Address Certain GAS Requirements

Although the USARC-200th MPCOM IR auditors developed policies, the policies did not address certain GAS requirements. We identified policy that was lacking in four GAS categories.

- The auditors did not address audit planning standards, such as the requirement to document an audit plan. GAS 6.51 requires auditors to prepare a written audit plan for each audit objective.
- The auditors did not address audit evidence and documentation standards, such as the requirement to document the overall sufficiency and appropriateness of audit evidence. GAS 6.69 requires auditors to perform and document an overall assessment of the collective evidence used to support finding and conclusions, including the results of any assessments conducted to conclude on the validity and reliability of specific evidence.
- The auditors did not address reporting standards, such as the requirement to communicate with those charged with governance or determine whether to conduct additional audit work to reissue the report when auditors discover the evidence obtained is insufficient to support the reported findings or conclusions. If auditors discover they do not have sufficient, appropriate evidence to support the reported findings and conclusions, then GAS 7.07 requires auditors to communicate the findings or conclusions in the same manner as that originally used to communicate to those charged with governance so that they do not continue to rely on the findings or conclusions that were not supported.
- The auditors did not address quality control standards, such as human resources requirements that support the quality control designed to provide reasonable assurance that the organization and personnel comply with professional standards and applicable laws and regulations. GAS 3.85 requires an audit organization to establish policies and procedures in its system of quality control that collectively address human resources.

Corrective Action Taken

The USARC-200th MPCOM IR auditors took corrective action and updated the USARC-200th MPCOM IR policies to include GAS requirements.

Independence

Finding 3. The USARC-99th RSC IR Office Chief of Staff Did Not Rate the IR Supervisor

On September 18, 2014, the Deputy Commanding General, U.S. Army Reserve Command, issued a memorandum to all Commanders of the U.S. Army Reserve major subordinate commands, identifying the senior rating officials for all personnel assigned to USARC IR offices. The memorandum, effective October 1, 2014, was issued to ensure that USARC IR offices adhere to their organizational alignment and reporting requirement, along with maintaining their independence and providing the most effective rating chain for their staff.

According to the memorandum, General Schedule-13 personnel assigned to the USARC IR offices are to be rated by the Chief of Staff. The USARC-99th RSC IR Supervisor (a General Schedule-13) reports directly to the Chief of Staff and the Fort Dix Garrison Commander. However, the IR Supervisor is rated by the IR Chief, a Lieutenant Colonel in the U.S. Army Reserve.

Recommendations, Management Comments, and Our Response

Recommendation 20

The Garrison Commander, U.S. Army Reserve Command–99th Regional Support Command, should comply with the rating guidance set forth by the Deputy Commanding General, U.S. Army Reserves Command, in the memorandum issued on September 18, 2014.

99th RSC Comments

The Chief of Staff, USARC-99th RSC, responding for the Commander, USARC-99th RSC, disagreed, and stated that the current rating scheme is the most effective one, based on the chain of command. The 99th RSC rating scheme reflects the chain of command, which includes the 99th RSC, Chief of the Internal Review Office, with direct responsibility for evaluating the full-time Internal Review Supervisor. The Chief of Staff, USARC-99th RSC, stated that the full-time support Internal Review Supervisor serves as the senior rater and validates the rater's evaluation and provides feedback to that supervisor.

Our Response

Comments from the Chief of Staff, USARC-99th RSC, did not address the specifics of the recommendation; therefore, the recommendation is unresolved and remains open. Specifically, the Chief of Staff did not address the reason the established policy was not being followed or provide documentation indicating that the USARC-99th RSC was exempt from the policy.

GAS 3.83 states that an audit organization's policies and procedures provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements. We request that the Commander, USARC-99th RSC, provide additional comments on Recommendation 20 in response to this report by August 18, 2017.

Finding 4. Army IR Auditors Did Not Effectively Use Independence Statements

Our review disclosed that Army IR offices did not effectively use independence statements. GAS 3.59 states that although insufficient documentation of an auditor's compliance with the independence standard does not impair independence, appropriate documentation is required by GAS quality control and assurance standards. These requirements include documenting threats to independence that require the application of safeguards, along with the safeguards applied in accordance with the conceptual framework for independence. Our review disclosed that four of nine Army IR offices did not effectively use independence statements as follows.

- The IMCOM IR, TRADOC, USARC IR, and USASOC IR auditors' personal impairment statements contained independence language from either the 2003 or 2007 versions of GAS.
- The USASOC IR auditor did not include a signed independence statement for the USASOC IR Chief in the audit files for the three reviewed reports.

Corrective Action Taken

IMCOM IR, TRADOC, USARC IR, and USASOC IR auditors corrected the auditor's impairments statements with independence language from the 2011 version of GAS, stating that in all matters relating to audit work, both the individual auditors and the audit organization (Government or public) must be independent.

Recommendations, Management Comments, and Our Response

Recommendation 21

The Commander, U.S. Army Special Operations Command, should require auditors to maintain copies of independence statements in the audit files.

U.S. Army Special Operations Command

The Deputy to the Commanding General, responding for the Commander, USASOC, agreed, stating that the three audits that the DoD OIG reviewed contained the independence statements for each of the auditors who worked on the projects. The Chief, USASOC IR, did not have a statement in each of the packets. The USASOC IR SOP and Quality Control Checklist now include this requirement. The corrective action was in place during the peer review.

Our Response

Comments from the Deputy to the Commanding General, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We reviewed the USASOC IR SOP and Quality Control Checklist and these documents do not include the requirement for the Chief, USASOC IR to maintain independence statements in the audit files. We request that the Commander, USASOC, provide a copy of the USASOC IR SOP and Quality Control Checklist containing the requirement for the Chief, USASOC IR, to maintain independence statements in the audit files. We expect receipt no later than August 18, 2017.

Quality Control and Assurance

Finding 5. The TRADOC IR Auditors Did Not Develop Adequate Procedures for the Safe Custody and Retention of Audit Documentation

TRADOC IR auditors did not develop adequate procedures for the safe custody and retention of audit documentation. GAS 3.92 states that when performing GAS audits, audit organizations should have policies and procedures for the safe custody and retention of audit documentation for a time sufficient to satisfy legal, regulatory, and administrative requirements for records retention.

Specifically, the TRADOC IR auditors maintained working papers and reports on a shared drive that could be accessed by anyone in the TRADOC IR office; the drive was not password protected. As a result, working papers could be altered or edited after the final report was issued without detection.

Whether audit documentation is hard copy, electronic, or other media, the integrity, accessibility, and retrievability of the underlying information could be compromised if the documentation is revised or deleted without the auditors' knowledge or if the documentation is lost or damaged. For audit documentation that is retained electronically, the audit organization should establish effective information systems controls concerning accessing and updating the audit documentation.

Recommendations, Management Comments, and Our Response

Recommendation 22

The Commander, Training and Doctrine Command, should implement policies and procedures for the safe custody and retention of audit documentation.

Training and Doctrine Command Comments

The Director, TRADOC Internal Review and Audit Compliance, responding for the Commander, TRADOC, agreed and stated that TRADOC IR has implemented improved procedures for the safe custody of working papers on its shared drive. TRADOC IR will update its SOPs to document the new procedures within 6 months.

Our Response

Comments from the Director, TRADOC Internal Review and Audit Compliance, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We request that the Director, Internal Review and Compliance Office, provide an updated copy of its SOP for the safe custody and retention of audit documentation. We expect receipt no later than October 31, 2017.

Reporting

Finding 6. Auditors Did Not Evaluate Management Comments

TRADOC, USARC-200th MPCOM, and USASOC IR auditors did not evaluate management comments in the audit reports. GAS 7.34 states that when auditors receive written comments from the responsible officials, they should include a copy of them or a summary of them in their report. GAS 7.35 states that auditors should include in the report an evaluation of management comments, as appropriate. However,

- TRADOC IR auditors did not include a copy of the official's written comments or an evaluation of the official's written comments in the report;
- USARC-200th MPCOM IR auditors did not include an evaluation of management comments, and the audited entity did not provide a response for two recommendations in the report; and
- USASOC IR auditors did not provide an evaluation of management comments.

Recommendations, Management Comments, and Our Response

Recommendation 23

The Commanders, Training and Doctrine Command, U.S. Army Reserve Command–200th Military Police Command, and U.S. Army Special Operations Command, should evaluate management comments, as appropriate.

Training and Doctrine Command Comments

The Director, Training and Doctrine Command Internal Review and Audit Compliance Office, responding for the Commander, Training and Doctrine Command, disagreed, stating it was TRADOC's policy in practice and in the TRADOC IR SOP, dated January 1, 2016, to request management comments and include the comments in reports when received. The comments are evaluated if they do not fully address the required corrective actions. However, the comments are not evaluated if they are deemed sufficient. Further, the organization prepares short-suspense reports without the views of responsible officials, if needed, to ensure that TRADOC leadership receives timely information needed to inform decisions.

Our Response

Comments from Director, Training and Doctrine Command Internal Review and Audit Compliance Office, addressed the recommendation; therefore, the recommendation is closed. Our review disclosed that TRADOC IR was not consistently requesting management comments and including the management comments in reports. Further, the TRADOC IR office did not have written policies and procedures in place during our review period of December 31, 2013, through December 31, 2015. We recognize that TRADOC IR auditors took corrective action and developed their policies and procedures immediately before the start of our review.

U.S. Army Reserve Command–200th Military Police Command Comments

The Chief of Staff, U.S. Army Reserve Command–200th Military Police Command, responding for the Commander, U.S. Army Reserve Command–200th Military Police Command, agreed, stating that the USARC-200th MPCOM IR auditors took corrective action and updated the USARC-200th MPCOM IR SOP to include an evaluation of management comments in each report issued in accordance with GAS.

Our Response

Comments from the Chief of Staff, USARC-200th MPCOM, addressed all specifics of the recommendation. We verified that the updated USARC-200th MPCOM IR SOP states that auditors should evaluate management comments in each report; therefore, the recommendation is closed.

U.S. Army Special Operations Command

The Deputy to the Commanding General, USASOC, responding for the Commander, USASOC, disagreed and referenced GAS, which states that auditors should include in the report an evaluation of management comments, as appropriate. USASOC IR auditors deemed the management comments sufficient in each of the audits reviewed by the DoD OIG team, therefore, they did not consider it appropriate to review the management comments within the reports. However, USASOC IR has included the requirement to evaluate management comments in the Quality Control Checklist.

Our Response

Comments from the Deputy to the Commanding General, USASOC, addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We request that the Commander, USASOC, provide the Quality Control Checklist with the requirement to evaluate management comments. We expect receipt no later than August 18, 2017.



Randolph R. Stone
Deputy Inspector General
Policy and Oversight

Enclosure 3

Management Comments on the Review Analysis and General Comments on Recommendations

TRADOC IR Comments

The Director, Training and Doctrine Command Internal Review and Audit Compliance Office, responding for the Commander, Training and Doctrine Command, stated that the DoD OIG's draft report reflects surface-level analysis and contains numerous discrepancies and misrepresentations. Further, many of the recommendations in the report are not tied to detailed deficiencies or were already implemented at the time of the site visit, such as our detailed SOPs, which were validated by the peer review team during the team's exit briefing and in an information paper.

In addition, the Director stated its recommendation is for the DoD OIG to: (1) reclassify this engagement as a peer assistance visit and training event that prepared Army IR for external peer reviews and (2) allow the Department of the Army Internal Review to establish an internal Army plan for performing external peer reviews with the Army community as outlined in the next revision of AR 11-7.

Our Response

We performed this peer review using the guidance set forth in the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. The CIGIE peer review program provides an assessment of the system of quality control over the audit organization and the audit organization's compliance with the established system of quality control.

We acknowledge that Army IR Commands were erroneously included in recommendations. However, none of the deficiencies or findings included in the report were inaccurate and the errors have been corrected in the final report. In order to address management concerns regarding misrepresentations, we removed Tables 5, 6, and 7 because they did not effectively communicate the significance of the deficiencies noted. The draft report identified the nature and relative importance of the deficiencies to GAS and the TRADOC IR's system of quality control. All of our findings are adequately supported by the evidence in the audit documentation and the conclusions and recommendations flow logically from that evidence. Additionally, we decided to report the deficiencies by the audit organization versus the specific projects. In August 2016, we provided the Director, Training and Doctrine Command Internal Review and Audit Compliance Office, a point paper and informed her of the specific projects in which the deficiencies were found.

Additionally, we disagree with TRADOC's recommendation to reclassify this engagement as a peer assistance visit and training event. According to section 8 of the *Inspector General Act of 1978*, as amended, the DoD OIG's duties and responsibilities include conducting external peer reviews of Department of Defense audit agencies in accordance with and as frequently as required by the GAS. Further, GAS and the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* do not include policy for classifying a peer review as a training event.

Lastly, Department of the Army IR has the overall responsibility for the Army IR Program. Whether the Army wants to establish an internal Army plan for performing peer reviews with the Army IR community is a management decision.

Management Comments on the Methodology Used to Select Engagements and Our Response

Deputy Assistant Secretary of the Army, Financial Operations and Commander, Training and Doctrine Command Comments

The Deputy Assistant Secretary of the Army, Financial Operations, responding for the Assistant Secretary of the Army, Financial Management and Comptroller, and the Director, Training and Doctrine Command Internal Review and Audit Compliance Office, responding for the Commander, Training and Doctrine Command, disagreed with the methodology used by DoD OIG to select engagements subject to peer review evaluation. Both indicated that the DoD OIG selected projects for review too soon after the Army IR conversion from accountant to auditor, which occurred no later than November 16, 2013.

The Deputy Assistant Secretary of the Army, Financial Operations, referred to GAS 3.97, which states that the first peer review for an audit organization not already subject to a peer review requirement covers a review period ending no later than 3 years from the date an audit organization begins its first audit in accordance with GAS. The Director, Training and Doctrine Command Internal Review and Audit Compliance Office, specifically identified two projects that should not have been included in the scope of the peer review because the projects started before the conversion to auditor.

In addition, the Deputy Assistant Secretary of the Army, Financial Operations, referred to DOD OIG Report No. DODIG-2016-031, "Summary Report on Audit Quality at the DoD Audit Organizations," December 14, 2015, in which the DoD OIG acknowledges that the Army IR Program required additional time to reestablish itself as an audit organization. He stated despite this acknowledgement of a needed transition period, many of the audits and attestation engagements included in the scope of the DoD OIG peer review are from before this report was issued.

Our Response

We disagree with the Deputy Assistant Secretary of the Army's, Financial Operations and Director's, Training and Doctrine Command concern regarding the methodology used to select projects for this peer review. To elaborate, GAS 3.97 states that the first peer review for an audit organization not already subject to a peer review requirement covers a review period ending *no later than 3 years* from the date an audit organization begins its first audit in accordance with GAS. The memorandum requiring the Army IR personnel to convert from accountants to auditors was signed on June 14, 2013. As highlighted in the GAS, the requirement for the peer review covers a period ending no later than 3 years from the date an audit organization begins its first audit. Therefore, we determined that we should review the Army IR Program before June 14, 2016. The announcement for the quality control review of the Army IR Program was issued on January 8, 2016, only 6 months before June 14, 2016.

The first report selected was dated February 24, 2014, and was completed by auditors assigned to the Training and Doctrine Command. Although the Director, Training and Doctrine Command Internal Review and Audit Compliance Office, objects to the selection of this project because it was completed too soon after their conversion to auditors, the report stated that the attestation engagement was performed in accordance with GAS. In addition, the Scope and Methodology section of the audit guide for this attestation engagement, signed by the Director, Training and Doctrine Command Internal Review and Audit Compliance Office, stated auditor's intent to conduct the engagement in accordance with GAS. Therefore, at the time the report was issued, the Director, Training and Doctrine Command Internal Review and Audit Compliance Office, accepted the responsibility for reporting in accordance with GAS.

In addition, regarding the Director's concern with the second attestation engagement selected for review, we determined that the audit plan, approved by the Director, Training and Doctrine Command Internal Review and Audit Compliance Office, was signed on January 16, 2014. Further, the Quality Control Checklist signed by the Director, Internal Review and Audit Compliance Office, on May 4, 2014, stated, "[t]he auditor for the Audit will complete this checklist to document compliance with generally accepted government auditing standards."

DoD OIG Report No. DODIG-2016-031 was issued on the December 14, 2015, and the objective of the report was to identify systemic issues identified in 19 of the 21 DoD audit organizations' most recent peer review reports issued from November 2012 through June 2015. Therefore, the Army IR Program could not be included in this summary report because it did not have a peer review completed during the scope of review. This report also stated DoD OIG's intent to perform a peer review in the near future.

Finally, on February 2, 2016, during initial planning phases of this peer review, we presented the scope of our review to the Deputy Assistant Secretary of the Army, Financial Operations, and the Director, Army Internal Review Program. The scope of review presented identified our intent to review projects from FYs 2014 and 2015 and there were no objections.

Management Comments on Tables 5, 6, and 7 in Enclosure 2 and Our Response

Department of the Army Comments

The Department of the Army disagreed with the presentation of deficiencies in Tables 5, 6, and 7 in Enclosure 2 of the draft report. The Deputy Assistant Secretary of the Army, Financial Operations, responding for the Assistant Secretary of the Army, Financial Management and Comptroller, stated that the presentation of the table implies the individual internal review offices are failing in areas where only minor deficiencies are identified. The Director, Training and Doctrine Command Internal Review and Audit Compliance Office, responding for the Commander, Training and Doctrine Command, and the Commander, U.S. Army Special Operations Command, both expressed concern that the table misrepresented the severity of the deficiencies and findings.

Our Response

Tables 5, 6, and 7 located in Enclosure 2 were intended to aid the Commanders of individual Army IR offices when identifying where within the report to refer for deficiencies and findings. Since the original intent of the tables had been met and based on management comments received that the tables did not effectively communicate the significance of the deficiencies noted, we removed Tables 5, 6, and 7 and Enclosure 2 from the report and renumbered the enclosures accordingly.

Enclosure 4

Assistant Secretary of the Army, Financial Management and Comptroller



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

SAFM-FO

MAR 10 2017

MEMORANDUM FOR Deputy Inspector General (Policy and Oversight), Department of Defense Inspector General, ATTN: Ms. Carolyn R. Hantz

SUBJECT: Official Reply to Department of Defense Inspector General Project Number D2016-DAPOIA-0082.000, "External Peer Review Report on the Army Internal Review Program," dated January 23, 2017

1. We concur with a failed rating assessing Army's Internal Review (IR) pronency program; however, we non-concur with a consolidated methodology of universally extending the failed rating to Army commands under review. Enclosure A provides Assistant Secretary of the Army Financial Management and Comptroller general comments and responses to recommendations 1, 2, 3, and 5. Enclosures B through F provide individual command responses to recommendations 4 and 6 through 23.
2. We concur with overall findings and recommendations specifically addressing outdated Army Regulation (AR) 11-7. An updated version has been submitted to Army Publishing Directorate and is under a staffing process. The delayed updates to AR 11-7 and other supporting program developments, e.g., audit focused educational training and peer review policies, in support of GS-511 (Auditor) conversion (Fiscal Year 2013-2014 (FY 2013-2014)) coupled with the scope and timing of peer review (FY 2014-2016) have negatively impacted the overall results.
3. We non-concur with a consolidated failed rating that would, in whole, implicate Army commands with IR capability indiscriminately. Army Internal Review is a decentralized program providing a unique capability and value to the resourced command. Specific command IR office capabilities have varied and some transformed their services, e.g., audit to consult/advise, during GS-510 Accountant (IR Evaluator) years from FY 2005 to FY 2014. As such, each office merits a separate rating as similarly offered to Army National Guard (Department of Defense Inspector General (DoDIG) 2016-035). Additionally, we have concerns with the summary of deficiency chart found on page 23 of the report as it materially misrepresents findings when compared to DoDIG's command point papers and enclosed command responses.
4. The point of contact for this action is [REDACTED] Director, Army Internal Review, at [REDACTED]

Encl


Wesley C. Miller
Deputy Assistant Secretary of the Army
(Financial Operations)

Assistant Secretary of the Army, Financial Management and Comptroller (cont'd)

Response to Department of Defense Inspector General Report, "External Peer Review Report on the Army Internal Review Program," January 23, 2017 (Project Number D2016-DAPOIA-0082.000)

General Command Comments

ASA-FM&C Comment 1: We non-concur with the methodology used by DODIG to classify Army Internal Review as a single "audit organization" that can collectively pass or fail a peer review as an entire program. Army Internal Review is actually a collection of more than 240 offices, each reporting to its respective installation or activity commander. GAGAS Standards 3.10 states, "For consideration of auditor independence, offices or units of an audit organization, or related or affiliated entities under common control, are not differentiated from one another. Consequently, for the purposes of independence evaluation using the conceptual framework, an audit organization that includes multiple offices or units, or includes multiple entities related or affiliated through common control, is considered to be one audit organization." For Army Internal Review offices, there is no element of "common control" or supervision that would cause these independent offices to take on the character of a larger audit organization. In contrast, AR 11-7 and Army General Orders 2017-01 only designate ASA-FM&C as the functional proponent responsible for the Army Internal Review program. Individual Army Internal Review offices typically exercise complete autonomy, and the performance of one office has no bearing on the performance of another. Therefore, we non-concur with the process used to rate the entire Army Internal Review program with a rating of "Fail." Each individual office functions as an autonomous unit or "audit organization" and should be independently rated as such.

ASA-FM&C Comment 2: We non-concur with the methodology used by DODIG to select engagements subject to peer review evaluation. The staff of Army Internal Review offices have recently transitioned from the 0510 (Accountant) job series to the 0511 (Auditor) job series. GAGAS Standard 3.97 states, "The first peer review for an audit organization not already subject to a peer review requirement covers a review period ending no later than 3 years from the date an audit organization begins its first audit in accordance with GAGAS." Army Internal Review offices were directed to convert their personnel to the 0511 job series no later than November 16, 2013. In DODIG Report DODIG-2016-031 (Summary Report on Audit Quality at the DoD Audit Organizations), dated December 14, 2015, DODIG openly acknowledges at Appendix A that "Army Internal Review was in the process of converting their personnel back to GS-0511 auditors from GS-0510 accountants, and therefore, requires time to reestablish itself as an audit organization." Despite this acknowledgement of a needed transition period, many of the audits and attestation engagements included in the scope of DODIG's peer review are from prior to the date this report was issued. Table 2 (next page) indicates audit and attestation engagements included in the scope of DODIG's peer review that began prior to the report date of December 14, 2015. We non-concur with DODIG's scope of review that includes audit engagements from this "transition" time period.

TABLE 1: TIMETABLE - TRANSITION FROM 0510 TO 0511 JOB SERIES

March 2005	0510 Job Series	November 2013	December 2015	Present
			0511 Job Series	
		Transition Period		

Assistant Secretary of the Army, Financial Management and Comptroller (cont'd)

IR OFFICE	REPORT TYPE	REPORT NUMBER	REPORT TITLE	REPORT DATE
TRADOC	Attestation	ATIR 14-19	Maneuver Center of Excellence (MCoE) Airborne Ranger Training Brigade (ARTB) Aviation Maintenance Contract, Executive Contract Approval Board (ECAB)	2/24/2014
TRADOC	Attestation	ATIR 14-22	Financial Internal Controls for the Draper Armor Leadership Award Fund	3/24/2014
IMCOM - FORT MEADE	Attestation	IR 14-06	Review of Key Controls for the Statement of Budgetary Resources (SBR)	7/1/2014
USACE	Performance	2014-02	Audit of Cooperative Joint Management Agreements (CIMAs) for Operation of USACE Recreation Facilities by Non-Profit 501c Foundations	8/19/2014
USASOC	Performance	EV06-2014	Travel Voucher Audit	9/30/2014
USACE	Performance	2014-03	Audit of Internal Controls over Cash Receipts at Recreational Facilities	10/2014
IMCOM - FORT MEADE	Performance	14-IR-08	Review of the Fort Meade Metered Mail/UPS/FedEx Accounts	2/27/2015
IMCOM - FORT CARSON	Performance	IMCR-IR 2015-023	Review of Army Emergency Relief for Calendar Year 2014	4/9/2015
HQ IMCOM	Performance	NAF 2015-001	Family Morale, Welfare, and Recreation, Cash Controls (Europe Region)	5/4/2015
USASOC	Performance	EV01-15	USASOC Foreign Language Proficiency Bonus (FLPB 1/1) Program	6/30/2015
TRADOC	Attestation	ATIR/501-7127	Risk Assessment of Internal Controls at the Rapid Equipping Force (REF)	7/7/2015
USARC - 99TH RSC	Performance	2014-006	Audit of Directorate of Human Resources, Health Services Branch's Process Relative to Medical Evaluation Board Packets	7/13/2015
HQ IMCOM	Performance	NAF 2015-002	Family Morale, Welfare, and Recreation, Digital Signage Program Management	8/13/2015
TRADOC	Attestation	ATIR 15-43	Independent Examination of the Cyber Center of Excellence (CoE) Warfighter Information	9/1/2015
IMCOM - FORT CARSON	Performance	IMCR-IR 2015-061	Network-Tactical (WIN-T) Contract for the TRADOC ECAB	9/23/2015
USASOC	Performance	IR-CORB 03-15	Verification of Cash Held by the Fort Carson Defense Military Pay Office	9/24/2015
TRADOC	Performance	ATIR 15-48	Audit of Informal Funds, Headquarters USASOC	9/30/2015
HQ USARC	Follow-Up	2015-036	Audit of Key DLIFLC Mission Areas	10/16/2015
HQ USARC	Follow-Up	2015-043	Follow-up Review of US Army Audit Agency (USAAA) Audit Report No. A-2013-0091-FMF, "Controls Over the Incentive Program in the Army Reserve Command"	12/10/2015
HQ USARC	Follow-Up	2015-043	Follow-up Audit of USAAA Audit Report No. A-2015-0106-MTM, "U.S. Army Reserve Medical Demobilization Process"	12/10/2015

ASA-FM&C Comment 3: We non-concur with the process used to present of "deficiencies" in Enclosure 2 of DODIG's peer review report. The tables presented in Enclosure 2 imply that individual internal review (IR) offices are failing in areas where only minor deficiencies are identified in the draft report body and point papers addressed to the individual commands. This is the case for the Independence, Competence, and Quality Control standards presented in Table 5 as well as the Planning, Supervision, Documentation & Evidence, and Reporting standards presented in Table 6. Table 3 on the next page of this document is a comparison of the deficiencies noted in Enclosure 2 of DODIG's draft report to the actual findings noted in DODIG's point papers. In an abundance of cases, Enclosure 2 of DODIG's draft report lists as deficiencies areas where, based on the actual point paper findings, command IR offices generally complied with the applicable standards. Because of this, we non-concur with the presentation of "deficiencies" in the Enclosure 2 tables of DODIG's draft report.

Assistant Secretary of the Army, Financial Management and Comptroller (cont'd)

TABLE 3: COMPARISON OF DEFICIENCIES IDENTIFIED IN DODIG PEER REVIEW REPORT (ENCLOSURE 2) TO DEFICIENCIES IDENTIFIED IN DODIG POINT PAPERS

STANDARD	IMCOM	IMCOM (CASSON)	IMCOM (FORT MEADE)	IRAUC	USACE	USARC	USARC (99TH RSC)	USARC (700TH IMFCOM)	USASOC	IOJAL
Independence (Enclosure 2)	X	X	X	X	X	X	X	X	X	9 of 9
Independence (Point Papers)	X	*NOTE	X	*NOTE	X	*NOTE	X	*NOTE	*NOTE	4 of 9
Professional Judgment (Enclosure 2)			X					X		2 of 9
Professional Judgment (Point Papers)			X					X		2 of 9
Competence (Enclosure 2)	X		X	X				X		4 of 9
Competence (Point Papers)	*NOTE		X	*NOTE				*NOTE		1 of 9
Quality Control (Enclosure 2)			X	X	X		X	X		5 of 9
Quality Control (Point Papers)			X	X	*NOTE		*NOTE	*NOTE		2 of 9
Performance Audit Planning (Enclosure 2)	X		X	X			X	X	X	5 of 9
Performance Audit Planning (Point Papers)	*NOTE		X	*NOTE			*NOTE	X	*NOTE	2 of 9
Performance Audit Supervision (Enclosure 2)			X	X			X	X	X	5 of 9
Performance Audit Supervision (Point Papers)			X	X	*NOTE		*NOTE	X	*NOTE	2 of 9
Performance Audit Documentation (Enclosure 2)	X	X	X	X	X		X	X	X	7 of 9
Performance Audit Documentation (Point Papers)	*NOTE	*NOTE	X	*NOTE	*NOTE		*NOTE	X	*NOTE	2 of 9
Performance Audit Reporting (Enclosure 2)	X	X	X	X	X	X	X	X	X	8 of 9
Performance Audit Reporting (Point Papers)	*NOTE	*NOTE	X	*NOTE	*NOTE		*NOTE	X	*NOTE	2 of 9
Attestation Planning (Enclosure 2)	NA	NA	X	X	NA	NA	NA	NA	NA	2 of 2
Attestation Planning (Point Papers)	NA	NA	X	X	NA	NA	NA	NA	NA	2 of 2
Attestation Supervision (Enclosure 2)	NA	NA	X	X	NA	NA	NA	NA	NA	1 of 2
Attestation Supervision (Point Papers)	NA	NA	X	X	NA	NA	NA	NA	NA	1 of 2
Attestation Documentation (Enclosure 2)	NA	NA	NA	NA	NA	NA	NA	NA	NA	0 of 2
Attestation Documentation (Point Papers)	NA	NA	NA	NA	NA	NA	NA	NA	NA	0 of 2
Attestation Reporting (Enclosure 2)	NA	NA	X	X	NA	NA	NA	NA	NA	2 of 2
Attestation Reporting (Point Papers)	NA	NA	X	X	NA	NA	NA	NA	NA	2 of 2

*NOTE Several paragraphs in the point papers noted that the reviewed office "generally followed" or "complied with applicable standards, such results were often/typically considered "deficient," in Enclosure 2 of the peer review report.

**Peer Review Rating of Pass: A conclusion that the audit organization's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

**Peer Review Rating of Pass With Deficiencies: A conclusion that the audit organization's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of a certain deficiency or deficiencies that are described in the report.

**Peer Review Rating of Fail: A conclusion, based on the significant deficiencies that are described in the report, that the audit organization's system of quality control is not suitably designed to provide the audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects, or the audit organization has not complied with its system of quality control to provide the audit organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

Assistant Secretary of the Army, Financial Management and Comptroller (cont'd)

Responses to Recommendations 1, 2, 3, and 5

Recommendation 1: The Assistant Secretary of the Army for Financial Management and Comptroller should require the Army Internal Review Director to update Army Regulation 11-7 to include current Government Auditing Standards.

ASA-FM&C Response: Concur. We have already developed a draft version of Army Regulation 11-7 that includes references to current Government Auditing Standards. The draft Army Regulation is currently awaiting legal review. We anticipate that the new regulation will be published no later than September 30, 2017.

Recommendation 2: The Director, Army Internal Review, should verify all Army Internal Review offices develop quality control policies and procedures. Additionally, the documentation for a system of quality control should be updated whenever the Government Accountability Office revises the Government Auditing Standards. The updates should occur within a reasonable amount of time to ensure compliance with the most current version of the Government Auditing Standards.

ASA-FM&C Response: Concur. In the upcoming months, we plan to release an updated version of Army Regulation 11-7 that will require IR offices to comply with Government Auditing Standards and cover the issue of quality control. We also include quality control procedures in the HQDA Internal Review Standard Operating Procedures, a document we make available to all Army internal review offices via Army Knowledge Online. We anticipate the revised version of AR 11-7 will be published no later than September 30, 2017.

Recommendation 3: The Director, Army Internal Review, should require all Army internal review offices to verify that their organization is properly aligned to ensure organizational independence.

ASA-FM&C Response: Concur. AR 11-7 requires Army internal review offices to be properly aligned to ensure independence. We will also issue a memorandum to the command Army internal review offices directing them to verify their organizations are properly aligned to ensure organizational independence. We anticipate this action will be complete no later than June 30, 2017.

Recommendation 5: The Director, Army Internal Review, should issue a memorandum to the Army internal review commands. The memorandum should reemphasize the requirement for auditors to complete an independence assessment before conducting nonaudit services.

ASA-FM&C Response: Concur. We will issue a memorandum to the command Army internal review offices reemphasizing the requirement for auditors to complete an independence statement before conducting nonaudit services. We also include independence guidance in the HQDA Internal Review Standard Operating Procedures, a document we make available to all Army internal review offices via Army Knowledge Online. We anticipate this action will be complete no later than June 30, 2017.

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U.S. Army Training and Doctrine Command

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REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY TRAINING AND DOCTRINE COMMAND
950 JEFFERSON AVENUE
FORT EUSTIS, VIRGINIA 23604-5700

1 MAR 17

ATIR

MEMORANDUM FOR Inspector General, Department of Defense, Deputy Inspector General, Policy and Oversight, 4800 Mark Center, Alexandria, VA 22350-1500

SUBJECT: Command Reply to External Peer Review Report on the Army Internal Review Program (Project No. D2016-DAPOIA-0082.000)

1. U.S. Army Training and Doctrine Command's (TRADOC's) reply to the subject draft report is at Enclosure 1. We concur with Recommendation 22; partially concur with Recommendations 11, 12, 17, and 18; and non-concur with Recommendations 8, 13, 19, and 23 as addressed to Commander, TRADOC.

2. The peer review exposed the command to the rigor of the review process and identified some opportunities to strengthen quality control procedures. However, we believe the DODIG's draft report has limited usefulness for the following reasons:

a. DODIG's scope included a review period too soon after Army Internal Review's conversion to GS-0511 Auditors which was required by 17 November 2013. DODIG's selection of four TRADOC engagements with reports issued in 2014 and 2015 included two engagements that were planned and worked on prior to the required conversion date. Throughout 2014 and 2015 and without guidance from DA Internal Review, TRADOC worked diligently to fully transition reviews to audit engagements that met all quality control standards. On 1 January 2016, we issued very detailed standing operating procedures (SOPs) that reflect our strong, current quality control system.

b. DODIG's draft report reflects surface-level analysis and contains numerous discrepancies and misrepresentations discussed in Enclosure 2. Many of the recommendations in the report are not tied to detailed deficiencies or were already implemented at the time of the site visit, such as the case for our detailed SOPs which were validated by the peer review team per the team's exit briefing and information paper.

c. Ideally, an external peer review report would assign a discrete rating and actionable items that reflect the current quality control environment. However, the peer review report attempts to collectively assess Army IR offices which operate independently and report to their respective commanders. Also, given the many report discrepancies and inappropriate review scope, assigning any ratings to individual offices based on this draft report and associated body of work would not be credible or reflective of current operations.

Removed
Tables 5, 6,
and 7 and
Enclosure 2

ENCLOSURE C: TRADOC RESPONSE TO DODIG PEER REVIEW

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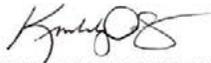
U.S. Army Training and Doctrine Command (cont'd)

ATIR

SUBJECT: External Peer Review Report on the Army Internal Review Program (Project No. D2016-DAPOIA-0082.000)

3. TRADOC's recommendation is for DODIG to (1) reclassify this engagement as a peer assistance visit and training event that prepared Army IR for external peer reviews and (2) allow DAIR to establish an internal Army plan for performing external peer reviews within the Army community as outlined in the next revision of AR 11-7 (Army Internal Review Program).

Encls


KIMBERLY DAWN CYR
Director, Internal Review and Audit
Compliance Office

U.S. Army Training and Doctrine Command (cont'd)

U.S. Army Training and Doctrine Command (TRADOC)

Response to Department of Defense Inspector General Report, "External Peer Review Report on the Army Internal Review Program," January 23, 2017
(Project Number D2016-DAPC/OIA-0082.000)

Responses to Recommendations 8, 11, 12, 13, 17, 18, 19, 22, and 23

Recommendation 8: The Commanders, Installation Management Command-Fort Meade, Training and Doctrine Command, and U.S. Army Reserve Command-200th Military Police Command, should implement an official training program to ensure auditors maintain their professional competence and complete sufficient continuing professional education. The program should include monitoring to assess whether auditors are meeting the continuing professional education requirements.

TRADOC Response: Non-Concur. A successful training program is already in place at TRADOC, and all auditors are in full compliance with CPE requirements since our conversion to GS-0511 Auditors. The TRADOC auditor who was reported to be 7 CPEs short charged less than 20 percent of her time to doing audits during the review period and was thus not subject to the 80 hours of CPE requirement.

In calculating earned CPEs for all TRADOC auditors, we appropriately applied criteria from GAO-05-568G: Guidance on GAGAS Requirements for Continuing Professional Education, dated 1 April 2005, to determine that all training (including any DOD mandatory training) we counted as CPEs met topics directly related to government auditing or the government environment and that the topics were of strategic importance to TRADOC. The report contains no details on why DODIG didn't count 8 hours of CPE we had recorded for the TRADOC auditor. The DODIG team explained during our exit that they were not counting some mandatory Army training, but the team didn't provide source documentation for this decision nor did we get a list of training that shouldn't be counted.

Recommendation 11: The Commanders, Installation Management Command-Fort Meade, Training and Doctrine Command, U.S. Army Reserve Command-99th Regional Support Command, and U.S. Army Reserve Command-200th Military Police Command, should require auditors to establish written procedures that ensure all Government Auditing Standards planning requirements are executed, as applicable.

TRADOC Response: Partially Concur. This recommendation was already implemented as of the time of the peer review visit. Conduct of fraud risk assessments and all other GAS requirements is in our standing operating procedures (SOP) dated 1 January 2016. The DODIG team validated the sufficiency of the SOP per their information paper and exit briefing.

U.S. Army Training and Doctrine Command (cont'd)

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Recommendation 12: The Commanders, Installation Management Command-Fort Meade, Training and Doctrine Command, U.S. Army Reserve Command-99th Regional Support Command, U.S. Army Reserve Command-200th Military Police Command, and U.S. Army Special Operations Command, should require audit organizations to improve their understanding of Government Auditing Standards for supervision, to include:

- a. Training involving supervisory standards in accordance with Government Auditing Standards.
- b. Requiring auditors to emphasize Government Auditing Standards for supervision throughout the audit process.

TRADOC Response: Partially-Concur. One missed working paper is an oversight not a deficiency. The unsigned working paper was a risk assessment matrix that was used to inform the audit plan but didn't directly support findings, conclusions or recommendations in the audit report. TRADOC will continue to emphasize the importance of GAS for supervision and enforce our SOP but has no additional corrective actions planned.

Recommendation 13: The Commanders, Installation Management Command-Fort Carson, Installation Management Command-Fort Meade, Training and Doctrine Command, U.S. Army Reserve Command-99th Regional Support Command, and U.S. Army Reserve Command-200th Military Police Command, should take action to improve their audit staff's understanding of the applicable Government Auditing Standards requirements for documenting evidence and assessing data reliability.

TRADOC Response: Non-Concur. TRADOC is mistakenly listed in the recommendation and is not included in the reported deficiency.

Recommendation 17: The Commanders, Installation Management Command-Fort Meade and Training and Doctrine Command, should provide training to staff to improve the auditors' understanding and knowledge of the Government Auditing Standards and American Institute of Certified Public Accountants requirements for conducting attestation engagements.

TRADOC Response: Partially Concur. We will provide training to the staff within six months, based on our SOP dated 1 January 2016 which was deemed sufficient by the DODIG team.

TRADOC performed 46 attestation engagements during the review period. DODIG picked three, of which two started up to 90 days prior to the GS-0511 conversion. We performed a tremendous amount of work during this transition period and had to

2

Encl 1

ENCLOSURE C: TRADOC RESPONSE TO DODIG PEER REVIEW

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Revised
Recommendation 13

U.S. Army Training and Doctrine Command (cont'd)

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determine how to convert what was previously done as reviews and evaluations to attestations.

One engagement started prior to the conversion was transitioned from review to attestation mid-stream. Some language about the effort being a review was left in the guide by mistake, but the effort otherwise met GAS requirements. Also, regarding our attestations done for Executive Contract Approval Board actions, we had a memorandum of understanding in place with the Resource Management Office that established our mutually agreed upon objectives, scope, etc., thus making entrance conferences redundant and an inefficient use of time on these short suspense (two weeks) engagements.

Recommendation 18: The Commanders, Installation Management Command-Fort Meade and Training and Doctrine Command, should provide training to staff to improve the auditors' understanding and knowledge of the Government Auditing Standards and American Institute of Certified Public Accountants reporting requirements for attestation engagements.

TRADOC Response: Partially Concur. We will provide training to the staff within six months, based on our SOP dated 1 January 2016 which was deemed sufficient by the DODIG team.

We request and include views of responsible officials when received. These two engagements involved very short suspenses (two weeks) to provide opinions to inform commander decisions on contracts. Once the contracts were decided, subsequent management views were essentially overcome by events. However, we have already changed our procedures to ensure we include views of the responsible officials in whatever format possible (e-mail, verbal, or more formal methods).

Recommendation 19: The Commanders, Installation Management Command-Fort Meade, Training and Doctrine Command, U.S. Army Reserve Command-99th Regional Support Command, and U.S. Army Reserve Command-200th Military Police Command, should develop policies that address Government Auditing Standards independence requirements.

TRADOC Response: Non-Concur. GAS independence requirements are addressed in our SOP dated 1 January 2016. The DODIG team validated the sufficiency of the SOP per their information paper and exit briefing.

Recommendation 22: The Commander, Training and Doctrine Command, should implement policies and procedures for the safe custody and retention of audit documentation.

Revised
Recommendation 19

U.S. Army Training and Doctrine Command (cont'd)

TRADOC Response: Concur. We have already implemented improved procedures for the safe custody of working papers and reports on our shared drive. We will update our SOP to document these procedures within six months. There were no findings related to retention of documentation.

Recommendation 23: The Commanders, Training and Doctrine Command, U.S. Army Reserve Command-200th Military Police Command, and U.S. Army Special Operations Command, should evaluate management comments, as appropriate.

TRADOC Response: Non-Concur. It was our policy (in practice and in our SOP dated 1 January 2016) to request management comments and include the comments in reports when we received them. We evaluate the comments if they don't fully address the required corrective actions but don't specifically evaluate the comments if we deem them sufficient. As mentioned in our response to Recommendation 18, we will publish short suspense reports without views of responsible officials if needed to ensure the TRADOC leadership gets timely information needed to inform decisions.

U.S. Army Training and Doctrine Command (cont'd)

**TRADOC Internal Review and Audit Compliance (IRAC)
Assessment of DODIG External Peer Review Report (as issued 23 Jan 17)
Army Internal Review Program
(Project No. D2016-DAPOIA-0082.000)**

Type of Issue	Page	Excerpt	Comments
Misrepresentation	2	In June 2013, Army IR positions were reclassified from the accountant job series to the auditor job series.	Army implementation instructions were dated 17 Sep 13 and required conversion by 17 Nov 13.
Inappropriate Scope	3	Three of the nine Army IR offices reviewed did not document policies and procedures before our review period. Also, we determined that Army IR offices relied on AR 11-7 guidance when performing the work we reviewed.	The review period included reports that were issued starting on 31 Dec 13 (less than 45 days after required conversion to GS-0511) and thus included work started before the conversion. This review period did not allow for IR offices to transition back to being auditors nor for DA to issue a new AR 11-7.
Misrepresentation	4	TRADOC IR auditors did not document a quality control system... TRADOC IR auditors took corrective action and developed their policies and procedures during our review.	TRADOC had a full written SOP in place as of 1 Jan 16 (prior to the DODIG audit). It took us two years to put it in place as it was our first SOP and we had waited for the update to AR 11-7 but finally put our own SOP in place. SOP deemed fully sufficient by the DODIG team per their info paper and exit briefing.

1

Encl 2

ENCLOSURE C: TRADOC RESPONSE TO DODIG PEER REVIEW

Page 7 of 12

U.S. Army Training and Doctrine Command (cont'd)

Discrepancy	8	One TRADOC IR auditor was 7 CPEs short of the 80-hour requirement, having completed 73 hours of CPE.	DODIG team told us during exit that their supervisors had made decision not to count some mandatory Army training but couldn't provide "source" of this decision nor did we get a list of training that shouldn't be counted. We appropriately applied criteria from 2005 GAO 05-568G to determine that the mandatory training we counted as CPEs met topics directly related to government environment and that the topics were of strategic importance to TRADOC. Also, the auditor in question charged less than 20% of her time to doing audits and was thus not subject to the 80 hour CPE requirement.
Discrepancy	9	The Commander Training and Doctrine Command should implement an official training program	A successful training program is already in place.
Discrepancy	11	The Commander Training and Doctrine Command should require auditors to establish written procedures that ensure all <i>Government Auditing Standards</i> planning requirements are executed, as applicable.	Conduct of fraud risk assessments and all other GAS requirements is in our 1 Jan 16 SOP. SOP deemed fully sufficient by the DODIG team per their info paper and exit briefing.
Misrepresentation	12	The TRADOC IR audit manager did not sign and review one working paper that supported the findings, conclusions, and	One missed working paper is an oversight not a deficiency.

Encl 2

ENCLOSURE C: TRADOC RESPONSE TO DODIG PEER REVIEW

2

Page 8 of 12

U.S. Army Training and Doctrine Command (cont'd)

		recommendations before issuing the audit report.	
Discrepancy/Mistake	13	The Commander Training and Doctrine Command should take action to improve their audit staff's understanding of the applicable Government Auditing Standards requirements for documenting evidence and assessing data reliability.	TRADOC is mistakenly in the recommendation and is not included in the deficiency.
Misrepresentation/ Inappropriate Scope	16	In addition, TRADOC IR auditors did not plan an engagement to ensure that the appropriate attestation level of service was used when performing their work. The project guide incorrectly stated that the work performed was a review, instead of an examination-level engagement.	The engagement was started prior to conversion to GS-511 so we transitioned from review to attestation mid-stream. Some language about the effort being a review was left in the guide by mistake, but the effort otherwise met GAS requirements.
Misrepresentation/ Inappropriate Scope	17	For the three examination attestations reviewed, TRADOC IR auditors stated that they did not hold meetings with the TRADOC Resource Management Office or the TRADOC requiring activity as part of the attestation procedures. TRADOC IR auditors also stated that their annual plan includes the requirement for them to complete examinations on all Executive Contract Approval Board-level actions; therefore, it was not necessary to coordinate meetings or entrance conferences with	2 of 3 attestations started prior to 511 conversion. Even so, we told DODIG that we had MOUs with the Resource Management Office in place for all 3 efforts to establish the requested objectives, scope, etc.

3

Encl 2

ENCLOSURE C: TRADOC RESPONSE TO DODIG PEER REVIEW

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U.S. Army Training and Doctrine Command (cont'd)

		the TRADOC Resource Management Office or the TRADOC requiring activity to discuss the examination request.	
Inappropriate Scope	17	TRADOC IR auditors did not identify or explain criteria for an examination attestation. Instead, the criteria were mentioned in the report's recommendations.	2 of 3 attestations started prior to 511 conversion.
Inappropriate Scope	17	TRADOC IR auditors did not assess the risk and design for two examination engagements to detect fraud and noncompliance...	2 of 3 attestations started prior to 511 conversion.
Misrepresentation	18	TRADOC IR auditors did not obtain and report the views of responsible officials or planned corrective action for two examination attestations.	We request and include views of responsible officials when received. These two engagements involved very short suspenses to provide opinions to inform DCG decisions on contracts. Once contracts are decided, subsequent management views are then not relevant.
Inappropriate Scope	20	These tests included a review of the audit reports that the Army IR offices issued from December 31, 2013, through December 31, 2015.	The review period includes work started prior to GS 511 conversion (which wasn't required until 17 Nov 13) and didn't give IR offices time to convert, especially with no updated AR 11-7 to guide us.

4

Encl 2

ENCLOSURE C: TRADOC RESPONSE TO DODIG PEER REVIEW

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U.S. Army Training and Doctrine Command (cont'd)

Final Report
Reference

Inappropriate Scope	21	Maneuver Center of Excellence (MCoE) Airborne Ranger Training Brigade (ARTB) Aviation Maintenance Contract, Executive Contract Approval Board (ECAB)	This effort started in Aug 13, more than 90 days prior to conversion to GS 511 on 17 Nov 13.
Inappropriate Scope	21	Financial Internal Controls for the Draper Armor Leadership Award Fund	This effort started in Oct 13, more than 30 days prior to conversion to GS 511 on 17 Nov 13
Misrepresentation	23	Table 5 shows deficiencies for general standards for independence, competence, and quality control	Table misrepresents the findings for TRADOC. TRADOC IR reports directly to DCG/CoS (3-star) and has no organizational impairments to independence. One date mistake on an independence statement doesn't equate to a deficiency in independence. Regarding competence—exit and info paper told us interviews with staff clearly demonstrated their knowledge and competence. The competence finding for insufficient CPEs for one auditor was not valid because auditor didn't have to meet the 80 hours standard. TRADOC had no deficiencies mentioned under the Quality Control and Assurance Deficiency 8.

Removed
Tables 5, 6,
and 7 and
Enclosure 2

5

Encl 2

ENCLOSURE C: TRADOC RESPONSE TO DODIG PEER REVIEW

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U.S. Army Training and Doctrine Command (cont'd)

Final Report
Reference

**Removed
Tables 5, 6,
and 7 and
Enclosure 2**

Misrepresentation/ Inappropriate Scope	23	Table 7 shows deficiencies for attestation engagements for planning, supervision, and reporting.	We did 46 attestations during the review period. DODIG picked 3, of which 2 started prior to the 511 conversion. We performed a tremendous amount of work during this transition period and had to determine how to convert what was previously done as consulting/advisory services to attestations with a revised AR 11-7 or other implementing guidance from DA.
Discrepancy or misrepresentation:	26	TRADOC did not develop policies for applying the GAGAS conceptual framework to identify and document independence threats and safeguards.	Independence is fully covered in our 1 Jan 16 SOP which was deemed sufficient by DODIG per their exit and info paper.
Discrepancy	27	Training and Doctrine Command should develop policies that address <i>Government Auditing Standards</i> independence requirements.	Independence is fully covered in our 1 Jan 16 SOP which was deemed sufficient by DODIG per their exit and info paper.
Misrepresentation	30	The TRADOC IR auditors did not evaluate management comments in the audit reports. TRADOC IR auditors did not include a copy of the official's written comments or an evaluation of the official's written comments in the report	This is not reflective of all reports reviewed. It was our policy (in practice and in 1 Jan 16 SOP) to request replies and include the replies in reports when we received them. We don't specifically evaluate the comments if we deem them sufficient.

Encl 2

ENCLOSURE C: TRADOC RESPONSE TO DODIG PEER REVIEW

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U.S. Army Installation Management Command



DEPARTMENT OF THE ARMY
US ARMY INSTALLATION MANAGEMENT COMMAND
2405 GUN SHED ROAD
JOINT BASE SAN ANTONIO FORT SAM HOUSTON, TX 78234-1223

IMDC

- 3 MAR 2017

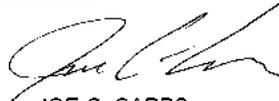
MEMORANDUM FOR Inspector General, Department of Defense, 4800 Mark Center Drive, Alexandria, Virginia 22350-1500

SUBJECT: Response to Department of Defense Inspector General Report, "External Peer Review Report on the Army Internal Review Program," January 23, 2017 (Project Number D2016-DAPOIA-0082.000)

1. The US Army Installation Management Command (IMCOM) has reviewed the Department of Defense Inspector General Report, "External Peer Review Report on the Army Internal Review Program." The IMCOM comments and responses to recommendations number 4 and 8 are enclosed.

2. The Internal Review point of contact is [REDACTED] commercial:
[REDACTED] email: [REDACTED]

Encl
IMCOM Responses


JOE C. CAPPS
Chief of Staff

ENCLOSURE E1: HQ IMCOM RESPONSE TO DODIG PEER REVIEW

Page 1 of 2

U.S. Army Installation Management Command (cont'd)

U.S. Army Installation Management Command Responses
Department of Defense Inspector General Report,
"External Peer Review Report on the Army Internal Review Program"
(Project Number D2016-DAPOIA-0082.000)

Responses to Recommendations [4] and [8]

Recommendation [4]: The Commanding General, Installation Management Command, should ensure that the Installation Management Command Internal Review Office maintains its structural independence and consider keeping the current reporting structure, with the Installation Management Command Internal Review Office reporting directly to him.

IMCOM Response: Concur. IMCOM officially updated the FY19 TDA to reflect an independent internal review organization. The Internal Review Director reports directly to the command Chief of Staff. FY's 17 and 18 TDA's were not updated because the command has been directed to use the FY19 TDA for all FY 17 and 18 civilian personnel decisions.

Recommendation [8]: The Commander, Installation Management Command should implement an official training program to ensure auditors maintain their professional competence and complete sufficient continuing professional education. The program should include monitoring to assess whether auditors are meeting the continuing professional education requirements.

IMCOM Response: Concur. The IR Director made a decision not to fund training for the two auditors mentioned in the report. The auditors notified the director of plans to retire during the last year of the professional education reporting period. Both auditors retired at the end of calendar year 2016.

The IMCOM Internal Review office has a process to ensure that each auditor obtains training to maintain professional competence. A spreadsheet is maintained with each auditor's name and number of hours trained in each year. In addition, supervisors review the spreadsheet with the auditor during midpoint and annual performance appraisal processes.

U.S. Army Corps of Engineers



DEPARTMENT OF THE ARMY
U.S. ARMY CORPS OF ENGINEERS
441 G STREET NW
WASHINGTON, DC 20314-1000

17 FEB 2017

CEIR

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL, 4800
Mark Center Drive, Alexandria, Virginia, 22350-1500; Attn: Robert Kienitz

SUBJECT: Response to Department of Defense Inspector General (DoDIG) Draft
Report, "External Peer Review Report on the Army Internal Review Program,"
January 23, 2017 (Project Number D2016-DAPC/OIA-0082.000).

1. **The Army Internal Review Program.** The U.S. Army's Internal Review (IR) Program is a Commander's program and is essential for mission accomplishment. I first learned this lesson in 2003 when I served as Deputy Commander of "Task Force Restore Iraqi Electricity," a \$1.1 billion reconstruction program. My IR auditor accompanied me on that operation and his proactive oversight improved the outcome immeasurably both in mission accomplishment and in stewardship. During my subsequent Army assignments, including my service as Deputy Commander and, now, as Commander of the U.S. Army Corps of Engineers (USACE), IR professionals have reinforced this lesson many times over. I continue to recognize and appreciate the vital role IR professionals' play in successful business operations. I regard my USACE IR auditors as "preventive medicine." They provide the oversight necessary to reduce risk, optimize funds, and streamline business processes. I would not want to do business without them and the oversight they provide. It is in this context that USACE welcomes the DoDIG's peer review. The corrective actions that we are taking as a result of DoDIG's work will strengthen USACE IR and, in turn, will enhance the value that our professional auditors render to this Command.

2. **Summary of USACE's responses to the DoDIG's draft report findings**
(See enclosure 1 for USACE's full response).

a. **USACE Response to Deficiency #4: Non-concur.** USACE IR did not perform management functions or assume managerial responsibilities for USACE's Office of Management and Budget Circular A-123 program. USACE IR's validation testing plan was developed and managed independently of USACE management and USACE Resource Management (CERM). USACE IR has incorporated additional documentation as appendices to enclosure 1 in support of our non-concur position. In short, we believe USACE IR's validation work does not impair independence. Moreover, this work is essential to achieving and maintaining, for nine consecutive years, USACE's clean audit opinion on its Civil Works Financial Statements.

ENCLOSURE B: USACE RESPONSE TO DODIG PEER REVIEW

Page 1 of 14

U.S. Army Corps of Engineers (cont'd)

CEIR

SUBJECT: Response to Department of Defense Inspector General (DoDIG)
Discussion Draft, "External Peer Review Report on the Army Internal Review
Program"

b. USACE Response to Deficiency #8: Concur with comment. USACE IR agreed to take corrective action to update its policies and procedures.

c. USACE Response to Deficiency #11: Non-concur. USACE IR auditors relied on USACE's external auditor, KPMG, and its annual accreditation of USACE's financial management information systems to support the integrity of data retrieved. USACE IR believes it unnecessary to duplicate KPMG's work. USACE IR agreed to include in future work papers a statement concerning its reliance on KPMG's accreditation of data reliability.

d. USACE Response to Deficiency #13: Non-concur. USACE IR states its compliance with AR 11-7 in all of its reports. AR 11-7 requires auditors to comply with Government Auditing Standards (GAS). USACE IR agreed to include in future statements, specifically, that it complies both with AR 11-7 and GAS requirements. DoDIG subsequently credited USACE IR with taking corrective action.

e. USACE Response to Letter of Comment, Finding 1, dated 23 January 2017: Non-concur. For consistency, we believe the following USACE corrective actions should be included in the report:

"On 11 February 2016, USACE IR initiated the policy of completing an annual statement of independence for each auditor. USACE IR Management reviews, signs, and retains this documentation on USACE IR's network drive."

3. Consolidated Reporting Methodology. In the interest of improving the USACE IR office, as well as those across the Army, and at the benefit of adding value to the subject report, I respectfully request your consideration of the following:

a. The addition of an Executive Summary at the beginning of the report wherein DoDIG itemizes individual ratings for each Army Major Subordinate Command (MSC) included in DoDIG's review. This simple step would preclude the reader from having to navigate through 22 pages of verbiage for a summary table of deficiencies, from which the reader must then infer individual ratings. In addition, I expect to read this report and have a clear indication of USACE's independent rating. This vital and useful information is not communicated in the subject document. A separate and individual rating of each MSC is critical for Commanders to take the appropriate corrective actions within their respective footprints. This report, as written, does not provide this fundamental information.

b. Your report states, "We recognize that some of the Army IR offices would not receive a fail rating if they were reviewed separately." In consideration of USACE IR's conversations with the DoDIG audit team and the information provided in enclosure 1,

2

U.S. Army Corps of Engineers (cont'd)

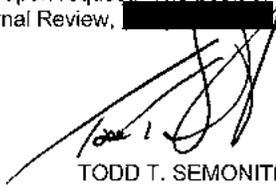
CEIR

SUBJECT: Response to Department of Defense Inspector General (DoDIG)
Discussion Draft, "External Peer Review Report on the Army Internal Review
Program"

consolidating USACE IR into a collective program rating of "fail" is a misrepresentation of the overall health of our program. Accordingly, I respectfully request that DoDIG consider a rating of "pass with deficiencies" for USACE IR.

c. I believe separate and discrete reports would be of utmost value for each MSC Commander. In consideration of the distinctive characteristics of each Army MSC Internal Review office, DoDIG should provide, for each MSC Audit Chief and Commander, a written report detailing DoDIG's opinions and determinations of their respective programs. Consolidating the results of such unique audited entities profoundly diminishes the value of DoDIG's end product, and does not prove useful for mission accomplishment from a Commander's perspective.

4. Lastly, my USACE IR audit staff and I are available to elaborate further and to provide additional documentation upon request. The point of contact for this subject is [REDACTED] Chief Internal Review, [REDACTED]


TODD T. SEMONITE
Lieutenant General, USA
Commanding

2 Encls

1. USACE response to DoDIG
Draft Report "External Peer
Review Program"
2. DoDIG Report, "External Peer Review Draft Report on the Army Internal
Review Program"

*CERTAINLY APPRECIATE
EXTERNAL ADVICE - BUT I
STAND BEHIND MY INTERNAL
REVIEW OFFICE AND RECOMMENDATIONS -
PROBABLY ONE OF THE BEST IR SHOPS
IN DOD - CERTAINLY WILLING TO DISCUSS,
BUT INCLINED TO SUPPORT THE
RECOMMENDATIONS AND OPINIONS !!
OF OUR TEAM. THANKS!!*

ENCLOSURE B: USACE RESPONSE TO DODIG PEER REVIEW

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U.S. Army Corps of Engineers (cont'd)

Final Report
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US Army Corps of Engineers

Response to Department of Defense Inspector General Report, "External Peer Review Report on the Army Internal Review Program," January 23, 2017
(Project Number D2016-DAPOIA-0082.000)

Responses to Recommendations 6, 10, 13, 15, 19 and Enclosure 2

Recommendation 6:

The Commanders, Installation Management Command-Fort Meade, and U.S. Army Corps of Engineers, should provide training to auditors to perform an independence assessment before conducting nonaudit services to determine whether the service will create a threat to independence for audits performed in compliance with *Government Auditing Standards*.

US Army Corps of Engineers (USACE) Response: Non-Concur to Deficiency #4 (pp 6-7), "Army IR Offices Conducted Nonaudit Services That Presented Independence Concerns." USACE's nonaudit work is distorted in the third, sixth and seventh paragraphs (3, 6 & 7) under Deficiency #4. These three paragraphs represent a fundamental misrepresentation of the nonaudit work that USACE IR actually performs. USACE believes that paragraphs 3, 6 and 7 should be deleted and replaced by the following paragraphs.

Revised
Deficiency 4

Replacement paragraph #3. USACE IR tested management's compliance with control procedures cited in USACE Resource Management's internal control test plans that Resource Management prepared in accordance with Office of Management and Budget Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," July 2016.

Replacement paragraph #6. USACE Resource Management (RM) retains ownership of USACE's OMB A-123 control program. USACE RM's annual test plans were provided to the RM community of practice at the division and district offices.

Replacement paragraph #7. USACE IR did not develop USACE's A-123 test plans, nor did it perform management functions or assume managerial responsibilities for the A-123 program. USACE IR did, however, develop and conduct validation testing of financial transactions. USACE IR's validation testing plan was developed and managed independently of USACE RM and USACE management. Once USACE IR completed its testing, the results were provided to USACE RM. In turn, USACE RM determined how these results would be used in managing USACE RM's A-123 Internal Control Program. While this work does not represent a lack of independence in fact, it may represent a lack of independence in appearance.

ENCLOSURE B: USACE RESPONSE TO DODIG PEER REVIEW

Page 4 of 14

U.S. Army Corps of Engineers (cont'd)

USACE IR Corrective Actions Taken/Planned:

On 11 February 2016, USACE IR initiated the policy of completing an annual statement of independence for each USACE IR auditor. USACE IR management reviews, signs, and retains this documentation on USACE IR's network drive.

USACE IR agreed that it should document more fully its independence assessment before conducting nonaudit services to determine whether the services will create a threat to independence, including preparing and submitting to USACE Management a letter of representation that outlines clearly the scope of services to be rendered and the steps that will be taken to preserve independence of the IR community of practice.

For context, USACE IR started performing these nonaudit services in 2009 as a result of recommendations made by USACE's Independent Public Accountant (IPA), Price Waterhouse Coopers (PWC), via Notifications of Findings and Recommendations (NFRs), stemming from PWC's Fiscal Year 2008 Financial Statement Audit of USACE's Civil Works. PWC NFR-2008-PAY-2, APPENDIX A, serves as an example, wherein PWC recommended that USACE IR perform independent testing of USACE's Payroll Cash Awards transactions. USACE IR would be happy to provide the other PWC NFRs if that would be beneficial. As stated in USACE IR's 26 October 2016 discussion with DoDIG's audit team and subsequently in USACE IR's 17 November 2016 Memorandum for DoDIG, USACE IR's nonaudit services are performed independently and in support of maintaining USACE's clean audit opinion of its annual financial statements.

Additionally, USACE is providing a representation letter, signed by Mr. Tom Steffens, USACE Director of Resource Management, APPENDIX B, which confirms that USACE IR's nonaudit services do not constitute a management function and that USACE IR's independence is not impaired by these nonaudit activities.

Finally, the USACE HQs organization chart, APPENDIX C, illustrates visually that the USACE RM and IR directorates function independently. Each directorate reports directly but separately to the USACE Commander. In short, USACE IR reports directly to the USACE Commanding General, the Deputy Commanding General, and those charged with governance.

Recommendation 10:

The Commanders, U.S. Army Installation Management Command-Fort Meade, U.S. Army Corps of Engineers, U.S. Army Reserve Command, U.S. Army Reserve Command-99th Regional Support Command, and U.S. Army Reserve Command-200th Military Police Command, should require auditors to develop a written

U.S. Army Corps of Engineers (cont'd)

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process for performing annual monitoring of quality in accordance with Government Auditing Standards.

USACE Response: Concur with comment to Deficiency #8 (p 10), "Auditors Did Not Perform Monitoring of Quality." USACE is included in the second paragraph under Deficiency 8. DoDIG's undated point paper for USACE (CEIR HQ Final Point Paper.pdf), delivered via 8 November 2016 email, states that "...the auditors followed GAS and generally followed CEIR HQ quality control policies and procedures during the project."

USACE IR Corrective Actions Taken/Planned: USACE IR agreed in its 26 October 2016 discussion with the DoDIG audit team that individual project quality reports must be summarized at year-end. USACE IR agreed to take corrective action to update its policies and procedures and to address leadership responsibilities for quality within the organization, legal and ethical requirements, human resources, audit performance, documentation, reporting, and monitoring of quality in accordance with GAS 3.95.

USACE's corrective action, however, is not detailed in DoDIG's 23 January 2017 draft report. For consistency, we believe DoDIG should enumerate USACE IR's corrective action in the body of the report and DoDIG should remove at Enclosure 2 (p. 23) the "X" shown in the USACE column, Table 5, "Deficiencies for General Standards by Location," on the "Quality Control" line.

Removed
Tables 5, 6,
and 7 and
Enclosure 2

Recommendation 13:

The Commanders, Installation Management Command-Fort Carson, Installation Management Command-Fort Meade, Training and Doctrine Command, U.S. Army Reserve Command-99th Regional Support Command, and U.S. Army Reserve Command-200th Military Police Command, should take action to improve their audit staff's understanding of the applicable Government Auditing Standards requirements for documenting evidence and assessing data reliability.

USACE Response: Non-Concur to Deficiency #11 (p.12), "Specifically, the IMCOM IR, IMCOM-Fort Carson, IMCOM-Fort Meade, USACE, USARC-99th RSC, and USASOC IR auditors did not assess the reliability of data retrieved from Information systems." As documented via email to DoDIG on 18 August 2016, USACE's Independent Public Accounting firm (KPMG) annually performs a SAS 70/SSAE 16 review of USACE's accounting system (Corps of Engineers Financial Management System—CEFMS). KPMG has ruled that CEFMS is an accredited system. USACE IR auditors rely on KPMG's annual accreditation and believe it unnecessary to duplicate KPMG's work.

U.S. Army Corps of Engineers (cont'd)

USACE IR Corrective Actions Taken/Planned: USACE IR agreed that it did not fully document in its work papers its reliance on KPMG's work for assessing the reliability of data retrieved from information systems. USACE IR agreed to include such a statement of information reliability in its work papers going forward.

USACE's corrective action, however, is not detailed in DoDIG's 23 January 2017 draft report. For consistency, we believe DoDIG should enumerate USACE IR's corrective action in the body of the report and DoDIG should remove at Enclosure 2 (p. 23) the "X" shown in the USACE column, Table 6, "Deficiencies for Performance Audits by Location," on the "Documentation and Evidence" Line..

Recommendation 15:

The Commanders, Installation Management Command-Fort Carson, Installation Management Command-Fort Meade, and U.S. Army Special Operations Command, should develop policies and procedures so that the auditors appropriately incorporate *Government Auditing Standards* compliance statements in audit reports.

USACE Response: Non-Concur to Deficiency 13 (p. 15), "Auditors Did Not Incorporate GAS Compliance Statements." USACE is included in the sixth paragraph under Deficiency 13: "The USACE IR auditors used similar variations of the following statement.

We conducted this audit in accordance with internal review standards contained in Army Regulation 11-7, Army Internal Review Program. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives."

USACE IR Corrective Actions Taken/Planned: AR 11-7 requires that IR auditors comply with GAS. By default, USACE IR is stating its compliance with GAS when it cites AR 11-7. USACE IR agreed to include in future statements, specifically, that it complies both with AR 11-7 and with GAS requirements.

DoDIG subsequently credits USACE with having taken corrective action (p. 15). Hence, the USACE Commander is not included in Recommendation 15 (p. 15). We believe this is correct. We believe DoDIG should remove at Enclosure 2 (p. 23) the "X" shown in the USACE column, Table 6, "Deficiencies for Performance Audits by Location," on the "Reporting" line.

U.S. Army Corps of Engineers (cont'd)

Recommendation 19:

The Commanders, Installation Management Command–Fort Meade, Training and Doctrine Command, U.S. Army Reserve Command-99th Regional Support Command, and U.S. Army Reserve Command-200th Military Police Command, should develop policies that address *Government Auditing Standards* independence requirements.

USACE Response: Non-Concur to Letter of Comment, Operation and Design of the System of Quality Control, Finding 1 (p.26), "Army IR Offices Did Not Develop Policies Related to Independence." USACE is included in the fifth paragraph under Finding 1.

"The USACE IR auditors did not fully develop policies to document independence considerations. GAS 3.59 states that although insufficient documentation of an auditor's compliance with the independence standard does not impair independence, GAS requires appropriate documentation. These requirements include documenting threats to independence that require the application of safeguards, along with the safeguards applied in accordance with the conceptual framework for independence."

USACE IR Corrective Actions Taken/Planned: On 11 February 2016, USACE IR initiated the policy of completing an annual statement of independence for each USACE IR auditor. USACE IR management reviews, signs, and retains this documentation on USACE IR's network drive.

USACE corrective actions taken are not detailed in the subsequent paragraph, as are those taken by USARC IR. For consistency, we believe the USACE corrective actions taken should be included.

Enclosure 2--Tables:

USACE Response: Non-Concur with the omission of a table that definitively states, for each Army Command, the External Review Rating that DoDIG judges each Command to have achieved. A collective program rating is a disservice to the individual Commanders who are charged with taking corrective actions within their respective Commands.

USACE believes that separate reports would have been preferable to a collective program report. Individual reports, detailing the areas DoDIG identified for corrective actions and the specific governing guidance would assist each Army Major Subordinate Command (MSC) Internal Review office in gaining maximum utility from DoDIG's work.

U.S. Army Corps of Engineers (cont'd)

The ASA (FM&C) is the proponent for internal review within the U.S. Army. ASA (FM&C) is not in the reporting chain for the individual MSC Internal Review offices included in DoDIG's peer review. Each Army MSC Internal Review office is separate and unique. Hence, we believe DoDIG's review team should provide a written report, detailing DoDIG's opinions and determinations, for each respective MSC and that each report should be issued to both the MSC's audit organization chief and the MSC's Commander. Issuing discrete MSC reports is consistent with DoDIG's Audit Manual and GAGAS Standards.

DoDIG issued discrete reports as follows:

December 18, 2015, DODIG-2016-035, "External Peer Review Report on the National Guard Bureau Internal Review Office." DoDIG gave the National Guard Bureau a rating of "pass with deficiencies" despite five (5) deficiencies and five (5) recommendations.

May 14, 2015, DODIG-2015-123, "External Peer Review Report on the Missile Defense Agency Office of Internal Review." DoDIG gave the Missile Defense Agency Office a rating of "pass with deficiencies" despite five (5) deficiencies and one (1) recommendation.

Issuing a collective program rating for the Army Internal Review Program is inconsistent with precedent.

If DoDIG judges that it is too far down the road to issue individual MSC reports, at minimum, adding an Executive Summary at the beginning of the report, or a separate table (Table 8) in Enclosure 2, wherein individual Commanders are provided their respective ratings, would satisfy that deficiency. We recommend that DoDIG take action to correct this omission.

U.S. Army Corps of Engineers (cont'd)

Audit Area	Payroll
NFR Number & Reference	NFR-2008-PAY-2 (AS15.b)
Prior Year Finding	NFR-2007-PAY-3 (FY07 Database: AS.1.70)
Point of Contact	[REDACTED], Team Leader CERM-F; [REDACTED], Accounting Officer
NFR Title	Cash Awards not processed in a timely manner.

Condition:

The procedures surrounding the processing and recording of Cash Awards are not consistently performed in a timely manner, resulting in timing errors (Refer to [O.3.PS, Step5, 'Results' section, subsections D-F](#) for a summary of the exceptions noted during interim Cash Awards testing). Cash Award transactions consist of one-time payments made to employees for a variety of purposes including: Performance based awards, Voluntary Leave Separation Payments, Quality Step Increases, and Student loan repayments. (Refer to [0.1.1, Page 19, paragraph 1](#))

All steps in the Cash Awards process should be performed in a timely manner to ensure accurate accounting and reporting in the financial statements. In our tests of the accuracy and validity of the Cash Award transactions processed at USACE, we selected 78 Cash award transactions and noted the following:

- 8 exceptions were noted in which the payment entry of the award amount into CEFMS was more than two weeks after pay period end date provided on the SF-1166. Refer to [O.3.6, cells R34, R40, R52, R66, R79, R92, R99, and R100 \(O.3.PS.5, Results, para. D\)](#) for a listing of these errors. Of the 8 exceptions noted above, no accrual was entered for the time period between the pay period end date and the date that the Cash Award was eventually entered into CEFMS. As a result, expenses related to Cash Awards were under-recorded for this time period. Refer to [O.3.6, cells S34, S40, S52, S66, S79, S92, S99, and S100 \(O.3.PS.5, Results, para. E\)](#) for a listing of these errors.
- 4 exceptions were noted in which the SF-50 was signed (authorized) more than two weeks after SF-50 Effective Date which may have caused late entry into CEFMS. Refer to [O.3.6, cells T28, T51, T88 and T97 \(O.3.PS.5, Results, para. F\)](#) for a listing of these errors.

Cause:

During the FY2007 audit, a control deficiency was noted relating to USACE's processing of Cash Awards within CEFMS. Cash Awards transactions were not being processed consistently, resulting in timing errors (Refer to [workpaper O.4.1, page 5, 'Prior Year Condition' column](#) for a description of the condition identified during FY 2007). As a result, a Corrective Action Plan (CAP) was initiated by

U.S. Army Corps of Engineers (cont'd)

USACE management to develop standardized policies across USACE for the processing of Cash Award payment (see [O.4.3, page 2, section 5A](#) for the CAP). However, as of 9/30/08, the CAP has not been implemented across USACE (Refer to [workpaper O.4.1, page 5, 'Current Status' tab](#)). As a result, USACE continues to process Cash Awards in an improper manner.

Criteria:

- GAO Standards on Internal Control in the Federal Government (Green Book) discuss Control Activities as follows:

Accurate and Timely Recording of Transactions and Events – Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. In addition, control activities help to ensure that all transactions are completely and accurately recorded. (Refer to workpaper [PA.22.zz, page 15, paragraph 2](#))

- Accounting for Selected Assets and Liabilities, Statement on Federal Financial Accounting Standards (SFFAS) Number 1, Paragraph 77:

When an entity accepts title to goods, whether the goods are delivered or in transit, the entity should recognize a liability for the unpaid amount of the goods. (Refer to workpaper [PA.22.bbb, page 18, paragraph 77](#))

Effect:

Insufficient policies and procedures related to timely processing of transactions, and controls to monitor their consistent implementation, increase the likelihood of errors that can then go undetected, resulting in misstatement to the financial statements. The lack of effective control procedures can lead to inefficiency in processing through backlogs and/or hinder the normal timely, sequential, and accurate processing of regular transaction activity. (Refer to [O.3.PS, Step 5, 'Conclusion' section](#) for more information concerning effect of improper procedures) These inefficiencies cause timing difference between the pay period end date of the Cash Award and subsequent payment entry into CEFMS. Because accruals are not being entered into CEFMS to account for this timing difference (refer to [O.3.PS, Step 5, 'Results' section, paragraph E](#)), expenses are being understated for this intervening period (refer to [PA22.uu, Page 3, Completeness' Section, 'Summarization' subsection](#) for a description of the potential misstatement related to an understatement of expense).

The lack of specific controls at the District level, or Corps-wide, to effectively monitor processes impairs management's ability to obtain assurance about the timeliness of processing required for accounting

U.S. Army Corps of Engineers (cont'd)

accuracy, and to implement timely corrective actions to mitigate errors (refer to [PA22.uu, Page 4, 'Accuracy/Valuation' Section, 'Measurement' subsection](#) for a description of the potential misstatement related to the inability to ensure the timeliness and accuracy of transaction processing.)

Recommendation:

We recommend that USACE management ensure that all districts implement the procedures and policies developed by USACE as part of the Corrective Action Plan (see [O.4.3, page 2, section 5A for the CAP](#)) to ensure timely, properly sequenced processing of Cash Award transactions. Management should ensure an NPA/SF-50 is generated at the same time as the recording of accruals for cash awards in CEFMS. Furthermore, the effective date for the NPA/SF-50 should coincide with the date the cash award was approved. Management should process accrued cash awards within one pay period and the transactions should be reviewed to ensure timely processing. The review should be documented to include the name, title, and signature of the preparer as well as the reviewer - indicating that the Cash Award entry had been reviewed.

Furthermore, Internal Review should monitor the FOAs by periodically selecting a sample of Cash Awards and verifying the transactions were processed in a timely manner. This would help ensure the accuracy of the transactions and the timeliness of the entry into CEFMS.

Management acknowledges receipt of this NFR.

Signature of Manager/Partner

Signature of Division Head and Title

Signature of Senior/Auditor

Signature of Division Employee

Date provided for review

Date received

Please refer to external binder titled *Notices of Findings and Recommendations* (Binder OPE-1), Tab PAY, which evidences the manual signatures of USACE as well as PwC management.

U.S. Army Corps of Engineers (cont'd)



DEPARTMENT OF THE ARMY
U.S. ARMY CORPS OF ENGINEERS
WASHINGTON, D.C. 20314-1000

CERM-F

3 February 2017

MEMORANDUM FOR Randolph R. Stone, Deputy Inspector General Policy and Oversight, Inspector General, Department of Defense, 4800 Mark Center Drive, Alexandria, VA 22350-1000

SUBJECT: External Peer Review Report on the Army Internal Review Program (Project No. D2016-DAPOIA-0082.000)

1. Background. The Department of Defense Inspector General (DODIG) is currently conducting a review of the system of quality control for the Army Internal Review (IR) Program under project D2016-DAPOIA-0082.000. The U.S. Army Corps of Engineers (USACE) Internal Review (CEIR) office was selected for review as part of this project. On 23 January 2017 the DODIG issued a draft report containing the preliminary results of this review. On pages 6-7 of this draft report the DODIG concluded:

“the USACE IR Office assisted USACE Resource Management Office by supporting the development of its internal control test plans in accordance with Office of Management and Budget Circular A-123, “Management’s Responsibility for Enterprise Risk Management and Internal Control,” July 2016...The test plans were provided to auditors at the division and district offices. When internal control testing was completed, the USACE IR Office sent a summary of results to the USACE Resource Management Office.”

2. Misstatement of Organizational Duties. The DODIG’s characterization of CEIR’s duties are inaccurate. HQ USACE Resource Management (CERM) is responsible for designing, implementing, and maintaining internal control program governing USACE’s financial transactions and systems. All development, implementation, and managerial responsibilities associated with USACE’s Office of Management and Budget Circular A-123 testing program are managed by the HQ USACE Resource Management Finance and Accounting Policy Division (CERM-F), not by members of the CEIR Office. This includes development, publication, and implementation of all A-123 Test Plans. While CEIR does conduct separate testing of accounting transactions through their validation testing, their work is performed independent and separate from CERM-F.

3. Please contact [REDACTED] Chief, Finance and Accounting Policy, [REDACTED] to discuss any questions you may have concerning this subject.


Thomas C. Steffens
Director of Resource Management

ENCLOSURE B: USACE RESPONSE TO DODIG PEER REVIEW

Page 13 of 14

U.S. Army Reserve Command



DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY RESERVE COMMAND
4710 KNOX STREET
FORT BRAGG, NC 28310-5010

AFRC-IR

MAR 02 2017

MEMORANDUM FOR Department of Defense Inspector General (DODIG), ATTN: Mr. Randolph R. Stone, Deputy Inspector General Policy and Oversight, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: External Peer Review Report on the Army Internal Review Program (Project No. D2016-DAPOIA-0082.000)

1. Thank you for the opportunity to review the draft External Peer Review Report on the Army Internal Review Program.
2. The US Army Reserve Command partially concurs to the recommendation of the subject draft report and provides the enclosed comments.
3. The points of contact for this response are [REDACTED], Director, Internal Review, [REDACTED], [REDACTED]; or [REDACTED], Supervisor, Audit & Follow-Up, [REDACTED], [REDACTED].

MEGAN P. TATU
Major General, US Army
Chief of Staff

Encl
as

U.S. Army Reserve Command (cont'd)

HQ, U.S. Army Reserve Command

Response to Department of Defense Inspector General Report, "External Peer Review Report on the Army Internal Review Program," January 23, 2017
(Project Number D2016-DAPOIA-0082.000)

Response to Recommendation [#10]

Recommendation [10#]: The Commanders, U.S. Army Installation Management Command-Fort Meade, U.S. Army Corps of Engineers, U.S. Army Reserve Command, U.S. Army Reserve Command-99th Regional Support Command, and U.S. Army Reserve Command-200th Military Police Command, should require auditors to develop a written process for performing annual monitoring of quality in accordance with *Government Auditing Standards*.

U.S. Army Reserve Command Response: Partially Concur. The U.S. Army Reserve Command (USARC) Internal Review (IR) Office already had a written policy in place for performing annual quality control monitoring in accordance with Government Auditing Standards. The policy is listed in the USARC Standard Operating Procedures (SOP), Section 3-21. Since the conversion to 511 (Auditor) job series, USARC IR had not performed a self-assessment. However, USARC IR will ensure annual self-assessments are conducted to document the quality of the USARC audit program. This will ensure the system of quality control is suitable, operating effectively, and summarizes any systemic or repetitive issues that need correction.

This recommendation will be implemented by 31 Dec 2017.

U.S. Army Special Operations Command

U.S. Army Special Operations Command (USASOC)

Response to Department of Defense Inspector General Report, "External Peer Review Report on the Army Internal Review Program," January 23, 2017
(Project Number D2016-DAPOIA-0082.000)

Responses to Recommendations 12, 15, 21, and 23

We appreciate the DoDIG audit team feedback provided as part of the external peer review. The team confirmed areas of improvement previously identified and corrected. As addressed by the DoDIG team during the exit conference and their point paper, there were no indications of impairments to independence or any other weaknesses that would have resulted in an overall failure in the peer review.

After careful review of the draft report, we found the report's presentation of summary data in Enclosure 2 (Tables 5 and 6) provided an inaccurate portrayal of USASOC IR's work performance as briefed to senior leadership by the DoDIG team when exiting the command. Without having the contextual framework which the report provided, Tables 5 and 6 presented a picture that the USASOC IR office was not independent and had significant problems in all four categories when evaluating compliance with standards for conducting performance audits. During the exit conference with the IR Director and senior command leadership, the DoDIG team briefed there were no indications of external or personal impairments to independence; IR auditors used sound judgment in following GAGAS, USASOC IR policies, and procedures when conducting audits; the IR audit staff had sufficient skills, knowledge, and experience to perform the audits; IR auditors generally followed GAGAS standards, USASOC IR policies, and procedures when planning and supervising audits; and, IR auditors documented audit evidence and followed quality control policies.

While the DoDIG team did identify several areas of improvements, primarily related to having documentation supporting analysis of data reliability for computer generated reports, documenting supervisory review of two work papers, updating verbiage in auditor independence statements, and including a statement that GAGAS standards were followed when conducting audits; none of these weaknesses resulted in a failure of the peer review. In all cases, the DoDIG team recognized the corrective actions taken by the USASOC IR Office in advance of the review.

Additionally, both tables in Enclosure 2 are intended to provide summary information of "Deficiencies" found in functional areas reviewed by the DoDIG team as they evaluated compliance with GAGAS general standards and standards for conducting performance audits. However, some of the "Xs" come from "Findings" identified in the Letter of Comment – issues that are not represented in the draft report. The tables misrepresent the number of "Deficiencies".

U.S. Army Special Operations Command (cont'd)

Final Report
Reference

AOIR

SUBJECT: Response to Department of Defense Inspector General Report, "External Peer Review Report on the Army Internal Review Program," January 23, 2017 (Project Number D2016-DAPOIA-0082.000)

Last general comment regarding the draft report. The report should provide each audited Commander with an individual rating: pass, pass with deficiencies, or fail. Enclosure 2 could include a separate table to depict this information.

Recommendations Contained in Draft Report. USASOC concurs with comment to recommendations 12 and 15. The DoDIG team conducting the peer review recognized corrective action taken at the time of the peer review. As previously addressed above, none of the identified weaknesses were of sufficient magnitude to cause the peer review team to fail the office for serious non-compliance with established auditing standards. Our specific responses to each recommendation follow:

Recommendation 12: Commander, U.S. Army Special Operations Command should require the audit organization to improve its understanding of *Government Auditing Standards* for supervision, to include training involving supervisory standards in accordance with *Government Auditing Standards* and requiring auditors to emphasize *Government Auditing Standards* for supervision throughout the audit process.

USASOC Response: Concur. It is true that the IR Chief did not review two individual working papers contained within the three audits that the DoDIG team reviewed. The USASOC IR Standard Operating Procedures (SOP) and Quality Control Checklist were updated prior to DoDIG site visit. Each of these documents emphasizes the need for proper supervision throughout the audit process. The DoDIG team provided a point paper and stated during the out brief with USASOC leadership that the documents were sufficient.

Recommendation 15: Commander, U.S. Army Special Operations Command should develop policies and procedures so that the auditors appropriately incorporate *Government Auditing Standards* compliance statements in audit reports.

USASOC Response: Concur. The USASOC IR SOP and Quality Control Checklist include this requirement. The corrective action was in place during the peer review.

Recommendations Contained in Letter of Comment. USASOC was asked to provide comments to the recommendations contained in the separate Letter of Comment. As addressed by the DODIG auditors, none of the areas contained in the aforementioned letter were considered to be significant enough to be addressed in the draft report or of sufficient significance to affect the opinion in the report. USASOC has concerns that the DODIG auditors included these minor weaknesses related to preparation of independence statements in Table 5 of the draft report since the audit

Revised
Deficiency 13 and
Recommendation 15

U.S. Army Special Operations Command (cont'd)

AOIR

SUBJECT: Response to Department of Defense Inspector General Report, "External Peer Review Report on the Army Internal Review Program," January 23, 2017 (Project Number D2016-DAPOIA-0082.000)

team did not consider weaknesses identified in the letter to be significant. Our comments to each recommendation contained in the letter follow:

Recommendation 21: Commander, U.S. Army Special Operations Command should require auditor to maintain copies of independence statement in the audit files.

USASOC Response: Concur. The three audits that DoDIG reviewed contained the independent statements for each of the IR auditors who worked on the projects. The IR Chief did not have a statement in each of the packets. The USASOC IR SOP and Quality Control Checklist now include this requirement. The corrective action was in place during the peer review.

Recommendation 23: Commander, U.S. Army Special Operations Command should evaluate management comments, as appropriate.

USASOC Response: Non-Concur. The *Government Auditing Standards* states that auditors should include in the report an evaluation of management comments, as appropriate. USASOC IR auditors deemed the management comments sufficient in each of the three audits reviewed by the DoDIG team. Therefore, USASOC IR did not consider it appropriate to evaluate the management comments within the reports. However, USASOC IR has included the requirement to evaluate management comments into the Quality Control Checklist to remove future doubt.


RICHARD M. HOLCOMB
Deputy to the Commanding General

U.S. Army Reserve Command–99th Regional Support Command



DEPARTMENT OF THE ARMY
HEADQUARTERS, 99th U.S. ARMY REGIONAL SUPPORT
COMMAND 5231 SOUTH SCOTT PLAZA
FORT DIX, NEW JERSEY 08640

AFRC-SNJ-IR

8 February 2017

MEMORANDUM FOR: Department of Defense Inspector General (DODIG),
ATTN: Mr. Randolph R. Stone, Deputy Inspector General Policy and Oversight,
4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: External Peer Review Report on the Army Internal Review Program, (Project
Number D2016-DAPOIA-0082.000)

1. Thank you for the opportunity to review the subject draft audit report.
2. The US Army Reserve Command-99th Regional Support Command concurs with the recommendations of the subject draft report with the exception of Recommendation #20 and provides the enclosed comments.
3. The point of contact for this response is [REDACTED], Internal Review Office at [REDACTED] or at [REDACTED].

Encl
As stated


MICHAELNE A. KLOSTER
Chief of Staff

U.S. Army Reserve Command–99th Regional Support Command (cont'd)

Headquarters, 99th Regional Support Command

Response to Department of Defense Inspector General Report, "External Peer Review Report on the Army Internal Review Program," January 23, 2017
(Project Number D2016-DAPOIA-0082.000)

Responses to Recommendations #2, #10, #11, #12, #13, #19, and #20

Recommendation [#2]: The Director, Army Internal Review, should verify all Army Internal Review Offices develop quality control policies and procedures. Additionally, the documentation for a system of quality control should be updated whenever the Government Accountability Office revises the *Government Auditing Standards*. The update should occur within a reasonable amount of time to ensure compliance with most current version of the *Government Auditing Standards*.

99th RSC Response: Concur. The 99th IR office has developed its own Standard Operating Procedure (SOP) to document the quality of the audit. This SOP is to provide IR Auditors with a reference that explains DA-level guidance and defines their responsibilities relative to conducting audits in accordance with the *Government Auditing Standards* (GAS), commonly referred to as generally accepted government auditing standards (GAGAS). The SOP will be periodically updated to reflect current *Government Auditing Standards*. This action was implemented on 12/14/16.

Recommendation [#10]: The Commanders, U.S. Army Installation Management Command-Fort Meade, U.S. Army Corps of Engineers, U.S. Army Reserve Command- 99th Regional Support Command, and U.S. Army Reserve Command - 200th Military Police Command, should require auditors to develop a written process for performing annual monitoring of quality in accordance with *Government Auditing Standards*.

99th RSC Response: Concur. The 99th IR office will develop and incorporate policies into its SOP that includes, but are not limited to: footnoting all applicable work papers identifying GAS used in the audit, and developing a memorandum to monitor the quality control of the IR office on an annual basis. This action will be implemented within 90 days.

Recommendation [#11]: The Commanders, Installation Management Command-Fort Meade, Training and Doctrine Command, U.S. Army Reserve Command- 99th Regional Support Command, and U.S. Army Reserve Command -200th Military Police Command, should require auditors to establish written procedures that ensure all *Government Auditing Standards* planning requirements are executed as applicable.

U.S. Army Reserve Command–99th Regional Support Command (cont'd)

99th RSC Response: Concur. The 99th IR office has incorporated risk assessment planning, conduct, and process within the 99th IR SOP. This action was implemented on 11/16/16.

Recommendation #12: The Commanders, Installation Management Command-Fort Meade, Training and Doctrine Command, Command U.S. Army Reserve Command- 99th Regional Support Command, U.S Army Reserve Command -200th Military Police Command and U.S. Army Special Operations Command, should require audit organizations to improve their understanding of *Government Auditing Standards* for supervision to include:

- Training involving supervisory standards in accordance with *Government Auditing Standards*
- Requiring auditors to emphasize *Government Auditing Standards* for supervision throughout the audit process

99th RSC Response: Concur. The 99th IR office developed an in office SOP that addresses the supervisor's responsibilities to conduct a timely review (every other Friday) of the auditor's working papers. This action was implemented on 11/22/16.

Recommendation #13: The Commanders, Installation Management Command-Fort Carson, Installation Management Command-Fort Meade, Training and Doctrine Command, U.S. Army Reserve Command- 99th Regional Support Command, U.S Army Reserve Command -200th Military Police Command, should take action to improve their audit staff's understanding of the applicable *Government Auditing Standards* requirements for documenting evidence and assessing data reliability.

99th RSC Response: Concur. The IR Office included a data reliability process within the 99th IR SOP. This process will be followed for all future audits. This action was implemented on 11/28/16.

Recommendation #19: The Commanders, Installation Management Command-Fort Meade, Training and Doctrine Command, U.S Army Reserve Command- 99th Regional Support Command, and U.S Army Reserve Command -200th Military Police Command, should develop policies that address *Government Auditing Standards* independence requirements.

99th RSC Response: Concur. The 99th IR Office's SOP contains policy for identifying and documenting independence threats and safeguard. In addition, the 99th IR Office is utilizing USARC, IR's independence memorandum template for all future audit. This action was implemented on 12/06/16.

U.S. Army Reserve Command–99th Regional Support Command (cont'd)

Recommendation #20: The Garrison Commander, U.S. Army Reserve Command-99th Regional Support Command should comply with the rating guidance set forth by the Deputy Commanding General, U.S. Army Reserve Command in the memorandum issued on September 18, 2014.

99th RSC Response: Non-Concur. The 99th RSC believes that the current rating scheme is the most effective based on the Chain of Command. The 99th RSC rating scheme reflects the chain of command, which includes the 99th RSC, Chief of the Internal Review Office with direct responsibility for evaluating the full time Internal Review Supervisor. The 99th RSC Chief of Staff, the full time support, serves as senior rater and validates the rater's evaluation and review and provides feedback as senior rater to that supervisor.

U.S. Army Reserve Command–200th Military Police Command



DEPARTMENT OF THE ARMY
200TH MILITARY POLICE COMMAND
MAJOR GENERAL DEKALB USAR CENTER
1250 ANNAPOLIS ROAD
FORT GEORGE G. MEADE, MARYLAND 20755-5525

AFRC-PMD-CS

16 February 2017

MEMORANDUM FOR Department of Defense Inspector General (DODIG),
ATTN: Mr. Randolph R. Stone, Deputy Inspector General Policy and Oversight, 4800
Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Response to the Department of Defense External Peer Review Report on
the Army Internal Review Program (Project No. D2016-DAPOIA-0082.000)

1. Enclosed is 200th Military Police Command responses to DODIG Peer Review recommendations.
2. Point of contact is [REDACTED], Internal Review Chief, 200th MPCOM at [REDACTED] and/or [REDACTED], at [REDACTED] or [REDACTED].

Encl

VAUGHN.WILLIA [REDACTED]
WILLIAM A VAUGHN
COL, USAR
Chief of Staff

ENCLOSURE F3: 200TH MPCOM RESPONSE TO DODIG PEER REVIEW Page 1 of 4

U.S. Army Reserve Command–200th Military Police Command (cont'd)

Final Report
Reference

200th Military Police Command

Response to Department of Defense Inspector General Report, "External Peer Review Report on the Army Internal Review Program," January 23, 2017
(Project Number D2016-DAPOIA-0082.000)

Responses to Recommendations 7, 8, 10, 11, 12, 13, 14, 19, and 23

Recommendation 7: The Commanders, Installation Management Command-Fort Meade, and U.S. Army Reserve Command-200th Military Police Command, should ensure that the internal review offices comply with Government Auditing Standards, to include providing training to staff to improve the auditor's understanding and knowledge of the professional judgement, competence, planning, supervision, audit documentation and evidence, and reporting.

200th MPCOM Response: Concur. The USARC IR office has an established audit training program in which the 200th MPCOM IR participates as a subordinate Army Reserve command. Therefore, the 200th MPCOM IR adheres to USARC IR's audit training program and guidance. This action was implemented on 1 February 2017.

Recommendation 8: The Commanders, Installation Management Command-Fort Meade, Training and Doctrine Command, and U.S. Army Reserve Command-200th Military Police Command, should implement an official training program to ensure auditors maintain their professional competence and complete sufficient continuing professional education. The program should include monitoring to assess whether auditors are meeting the continuing professional education requirements.

200th MPCOM Response: Concur. The 200th MPCOM IR Chief will monitor auditor's compliance with annual CPE requirements. Specifically, auditors will provide training certificates of completion to IR Chief. The IR Chief will ensure auditor training is properly planned and complies with GAGAS CPE training requirements. Date of implementation: 1 March 2017.

Recommendation 10: The Commanders, U.S. Army Installation Management Command-Fort Meade, U.S. Army Corps of Engineers, U.S. Army Reserve Command, U.S. Army Reserve Command-99th Regional Support Command, and U.S. Army Reserve Command-200th Military Police Command, should require auditors to develop a written process for performing annual monitoring of quality in accordance with Government Auditing Standards.

200th MPCOM Response: Concur. Although there were no deficiencies sited for 200th MPCOM IR in this area, we will continue to utilize USARC IR's Peer Review checklist to perform annual self-assessment reviews. Furthermore, the QA self-assessment procedures are included in the IR Standard Operating Procedures (SOP) Quality Assurance section. This action was implemented on 1 January 2017.

Revised
Recommendation 10

U.S. Army Reserve Command–200th Military Police Command (cont'd)

Recommendation 11: The Commanders, Installation Management Command-Fort Meade, Training and Doctrine Command, U.S. Army Reserve Command-99th Regional Support Command, and U.S. Army Reserve Command-200th Military Police Command, should require auditors to establish written procedures that ensure all Government Auditing Standards planning requirements are executed, as applicable.

200th MPCOM Response: Concur. The auditor took corrective action to update the 200th MPCOM IR Standard Operating Procedure planning section. This update requires auditors to identify previous audits or investigations related to the audit. This action was implemented on 26 July 2016.

Recommendation 12: The Commanders, Installation Management Command-Fort Meade, Training and Doctrine Command, U.S. Army Reserve Command-99th Regional Support Command, U.S. Army Reserve Command-200th Military Police Command, and U.S. Army Special Operations Command, should require audit organizations to improve their understanding of *Government Auditing Standards* for supervision, to include:

- a. Training involving supervisory standards in accordance with *Government Auditing Standards*.
- b. Requiring auditors to emphasize Government Auditing Standards for supervision throughout the audit process.

200th MPCOM Response: Concur. In compliance with USARC IR and GAGAS guidance, the 200th MPCOM IR receives supervisory audit review from other USAR IR auditors who are auditor-qualified (0511). This is required because the MPCOM IR office is supervised by a non-auditor qualified IR Chief and also has TPU Soldiers who aren't auditor-qualified. Furthermore, the 200th MPCOM IR SOP will be updated to include this USARC IR standard for supervisory reviews. This action will be implemented by 15 May 2017.

Recommendation 13: The Commanders, Installation Management Command-Fort Carson, Installation Management Command-Fort Meade, Training and Doctrine Command, U.S. Army Reserve Command-99th Regional Support Command, and U.S. Army Reserve Command-200th Military Police Command, should take action to improve their audit staff's understanding of the applicable *Government Auditing Standards* requirements for documenting evidence and assessing data reliability.

200th MPCOM Response: Concur. The 200th MPCOM IR auditors will review and implement GAO-09-680G "Assessing the Reliability of Computer-Processed Data" during the planning phase of the each audit engagement to ensure data reliability assessments are performed as required. This action will be implemented by 7 July 2017.

U.S. Army Reserve Command–200th Military Police Command (cont'd)

Recommendation 14: The Commander, U.S. Army Reserve Command-200th Military Police Command, should provide training on reporting results in compliance with the *Government Auditing Standards*.

200th MPCOM Response: Concur. Auditor has removed the additional recommendations to ensure that findings and recommendations agreed and flow logically to resolve the cause of identified deficiency. Furthermore, the auditor has amended the audit report date to 29 September 16 to reflect those changes. A process will be included in the SOP Report Section discussing elements of a finding. Date of Implementation: 1 May 2017.

Recommendation 19: The Commanders, Installation Management Command–Fort Meade, Training and Doctrine Command, U.S. Army Reserve Command-99th Regional Support Command, and U.S. Army Reserve Command-200th Military Police Command, should develop policies that address *Government Auditing Standards* independence requirements.

200th MPCOM Response: Concur. The 200th MPCOM IR auditor took corrective action and updated the 200th MPCOM SOP to address independence threats and safeguards to identify threats to independence for audits. In addition, the 200th MPCOM IR office prepares Auditor Independence Declaration Statements for each audit engagement. This action was implemented on 17 July 2016.

Recommendation 23: The Commanders, Training and Doctrine Command, U.S. Army Reserve Command-200th Military Police Command, and U.S. Army Special Operations Command, should evaluate management comments, as appropriate.

200th MPCOM Response: Concur. The 200th MPCOM IR auditors will include an evaluation of the management comments in each audit report issued in accordance with *Government Auditing Standards*. This process is included in the 200th MPCOM IR Standard Operating Procedures (SOP) Final Report Section. This action was implemented on 1 August 2016.

U.S. Army Installation Management Command–Fort Carson



DEPARTMENT OF THE ARMY
US ARMY INSTALLATION MANAGEMENT COMMAND
HEADQUARTERS, UNITED STATES ARMY GARRISON, FORT CARSON
1626 ELLIS ST, BLDG 1118, STE 200
FORT CARSON, CO 80913-4143

MAR 08 2017

IMCR-ZA

MEMORANDUM FOR DEPARTMENT OF DEFENSE OFFICE OF THE INSPECTOR
GENERAL, 4800 MARK CENTER DRIVE, ALEXANDRIA, VA 22350-1500

SUBJECT: External Peer Review Report on the Army Internal Review Program

1. This memorandum responds to the subject review, dated January 23, 2017. Installation Management Command-Fort Carson (IMCOM Fort Carson) received and is responding to three recommendations. Our responses are as follows:
 - a. Recommendation 13. IMCOM Fort Carson response: Concur. We have updated our Internal Review SOP to address policies and procedures for assessing the reliability of computer-processed data. In early February 2017, we conducted training to validate the audit staff's understanding of how to implement these policies and procedures correctly. **(CLOSED: 3 FEB 2017)**
 - b. Recommendation 15. IMCOM Fort Carson response: Concur. We reviewed and updated the policies and procedures in the Internal Review SOP. The IR Chief / Supervisor will continue to monitor *Government Auditing Standards* compliance statements to ensure correct terminology. The incorrect terminology detected by DODIG occurred in an audit report published shortly after Internal Review transitioned from GS-510 Evaluators to GS-511 Auditors. Upon review of subsequent audit reports, we determined this was a one-time oversight. **(CLOSED: 31 JAN 2017)**
 - c. Recommendation 19. IMCOM Fort Carson response: Concur. We reviewed and updated policies and procedures in the Fort Carson Internal Review SOP in June 2016. **(CLOSED: 29 JUN 2016)**
2. We express our thanks to your staff who conducted this review in a professional and effective manner. Please direct questions to [REDACTED]


RONALD P. FITCH, JR.
COL, SF
Garrison Commander

ENCLOSURE E2: FT. CARSON RESPONSE TO DODIG PEER REVIEW Page 1 of 1

U.S. Army Installation Management Command–Fort Meade



DEPARTMENT OF THE ARMY
US ARMY INSTALLATION MANAGEMENT COMMAND
HEADQUARTERS, UNITED STATES ARMY GARRISON
4551 LLEWELLYN AVENUE, SUITE 5000
FORT GEORGE G. MEADE, MARYLAND 20766-5000

IMME-IR

FEB 02 2017

MEMORANDUM THRU Director, U.S. Army Installation Management Command,
Sustainment, 2405 Gun Shed Road, Fort Sam Houston, TX 78234

FOR Commanding General, Installation Management Command, 2405 Gun Shed
Road, Fort Sam Houston, TX 78234

SUBJECT: Draft Report, External Peer Review Report on the Army Internal Review
Program (Project# D2016-DAPOIA-0082.00)

1. U. S. Army Garrison, Fort Meade reviewed the subject report. Our response to the
recommendations is enclosed.
2. The Internal Review point of contact is [REDACTED], commercial [REDACTED], email:
[REDACTED]

Encl


THOMAS S. RICKARD
COL, IN
Commanding

ENCLOSURE E3: FT. MEADE RESPONSE TO DODIG PEER REVIEW Page 1 of 4

U.S. Army Installation Management Command–Fort Meade (cont'd)

Fort Meade Response to DODIG Draft Report Project Number D2016-DAPDIA-0082.00

Recommendation 6: The Commander, Installation Management Command-Fort Meade, should provide training to auditors to perform an independence assessment before conducting non-audit services to determine whether the service will create a threat to independence for audits performed in compliance with Government Auditing Standards.

Command Response: **CONCUR.** The Fort Meade IR office has been trying to focus more on actual audits and less on peripheral areas, so starting in FY17 we will no longer perform non-audit services.

Recommendation 7: The Commander, Installation Management Command-Fort Meade, should ensure that the internal review office complies with Government Auditing Standards, to include providing training to staff to improve the auditor's understanding and knowledge of the professional judgement, competence, planning, supervision, audit documentation and evidence, and reporting.

Command Response: **CONCUR.** This recommendation pertains to an attestation engagement we completed in FY14. The vast majority of the Fort Meade IR audit work revolves around internal controls and compliance with laws and regulations. Since GAS 2.09 states that "auditors should not perform review-level work for reporting on internal control or compliance with provisions of laws and regulations" starting in FY17 we will no longer perform attestation engagements.

Recommendation 8: The Commander, Installation Management Command-Fort Meade, should implement an official training program to ensure auditors maintain their professional competence and complete sufficient continuing professional education. The program should include monitoring to assess whether auditors are meeting the continuing professional education requirements.

Command Response: **CONCUR.** The Fort Meade IR instituted a CPE tracking system at the beginning of FY16. Classes taken and CPEs earned are listed for each individual.

Recommendation 9: The Commander, Installation Management Command-Fort Meade, should provide training to the audit staff members to improve their understanding and knowledge of Government Auditing Standards and American Institute of Certified Public Accountants standards on conducting attestation engagements.

Command Response: **CONCUR.** This recommendation pertains to an attestation engagement we completed in FY14. The vast majority of the Fort Meade IR audit work revolves around internal controls and compliance with laws and regulations. Since GAS 2.09 states that "auditors should not perform review-level work for reporting on internal control or compliance with provisions of laws and regulations" starting in FY17 we will no longer perform attestation engagements.

U.S. Army Installation Management Command–Fort Meade (cont'd)

Recommendation 10: The Commanders, U.S. Army Installation Management Command-Fort Meade, should require auditors to develop a written process for performing annual monitoring of quality in accordance with Government Auditing Standards.

Command Response: CONCUR. Fort Meade IR will complete a quality assessment review, and summarize the results, by the end of June 2017.

Recommendation 11: The Commander, Installation Management Command-Fort Meade, should require auditors to establish written procedures that ensure all Government Auditing Standards planning requirements are executed, as applicable.

Command Response: CONCUR. Fort Meade IR instituted the use of fraud risk, audit risk, and data reliability assessments during FY16 as new audits were started. Additionally, our Standard Operating Procedures, which is currently in draft form, will be finalized by 30 June 2017.

Recommendation 12: The Commanders, Installation Management Command-Fort Meade, should require audit organizations to improve their understanding of Government Auditing Standards for supervision, to include: (a) Training involving supervisory standards in accordance with Government Auditing Standards; and (b) Requiring auditors to emphasize Government Auditing Standards for supervision throughout the audit process.

Command Response: CONCUR. During FY16 the Fort Meade IR office started using an Audit Process Checklist to help ensure all aspects of the process were completed. One line of the checklist refers to working paper reviews and corrections.

Recommendation 13: The Commander, Installation Management Command-Fort Meade, should take action to improve their audit staff's understanding of the applicable Government Auditing Standards requirements for documenting evidence and assessing data reliability.

Command Response: CONCUR. Fort Meade IR instituted the use of data reliability assessments during FY16 as new audits were started. During the same time period we started doing independent referencing of draft reports to ensure that all facts and figures are supported and documentation is in the audit folders.

Recommendation 15: The Commander, Installation Management Command-Fort Meade, should develop policies and procedures so that the auditors appropriately incorporate Government Auditing Standards compliance statements in audit reports.

Command Response: CONCUR. During FY16 the Fort Meade IR office started using an Audit Process Checklist to help ensure all aspects of the process were completed. One line of the checklist refers to ensuring the correct GAGAS statement is included in the report. Additionally, this area will be incorporated into our Standard Operating Procedures. Target Date: 30 June 2017.

U.S. Army Installation Management Command–Fort Meade (cont'd)

Recommendation 16: The Commander, Installation Management Command-Fort Meade, should provide training to staff to improve the auditors' understanding and knowledge of attestation general standards.

Command Response: CONCUR. This recommendation pertains to an attestation engagement we completed in FY14. The vast majority of the Fort Meade IR audit work revolves around internal controls and compliance with laws and regulations. Since GAS 2.09 states that "auditors should not perform review-level work for reporting on internal control or compliance with provisions of laws and regulations" starting in FY17 we will no longer perform attestation engagements.

Recommendation 17: The Commander, Installation Management Command-Fort Meade, should provide training to staff to improve the auditors' understanding and knowledge of the Government Auditing Standards and American Institute of Certified Public Accountants requirements for conducting attestation engagements.

Command Response: CONCUR. This recommendation pertains to an attestation engagement we completed in FY14. The vast majority of the Fort Meade IR audit work revolves around internal controls and compliance with laws and regulations. Since GAS 2.09 states that "auditors should not perform review-level work for reporting on internal control or compliance with provisions of laws and regulations" starting in FY17 we will no longer perform attestation engagements.

Recommendation 18: The Commander, Installation Management Command-Fort Meade, should provide training to staff to improve the auditors' understanding and knowledge of the Government Auditing Standards and American Institute of Certified Public Accountants reporting requirements for attestation engagements.

Command Response: CONCUR. This recommendation pertains to an attestation engagement we completed in FY14. The vast majority of the Fort Meade IR audit work revolves around internal controls and compliance with laws and regulations. Since GAS 2.09 states that "auditors should not perform review-level work for reporting on internal control or compliance with provisions of laws and regulations" starting in FY17 we will no longer perform attestation engagements.

Recommendation 19: The Commander, Installation Management Command-Fort Meade, should develop policies that address Government Auditing Standards independence requirements.

Command Response: CONCUR. This area will be incorporated into our Standard Operating Procedures. Target Date: 30 June 2017.

Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

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For more information about DoD OIG reports or activities, please contact us:

Congressional Liaison

congressional@dodig.mil; 703.604.8324

Media Contact

public.affairs@dodig.mil; 703.604.8324

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www.dodig.mil
Defense Hotline 1.800.424.9098

