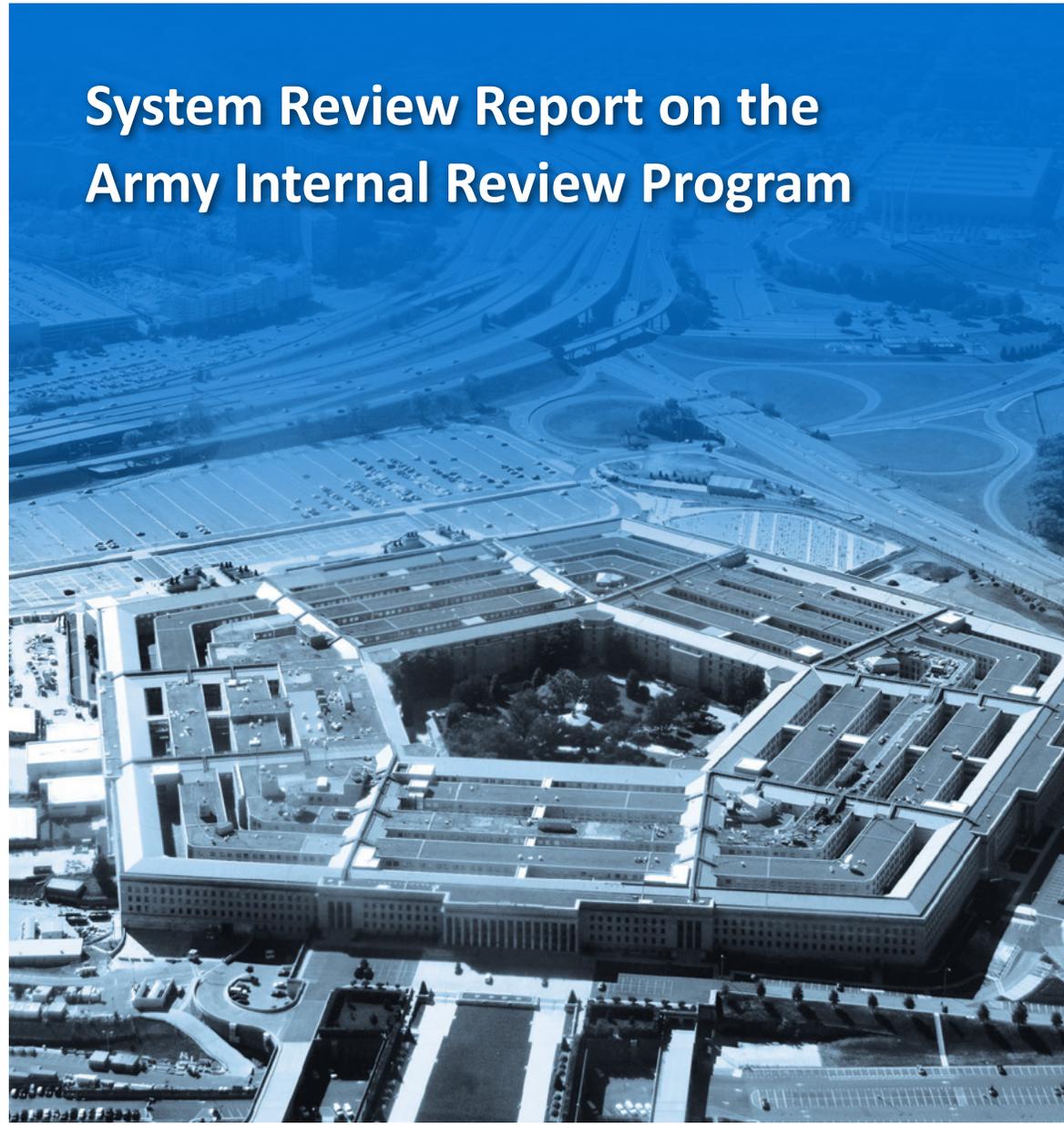


# INSPECTOR GENERAL

*U.S. Department of Defense*

JANUARY 15, 2020



## System Review Report on the Army Internal Review Program

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





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

January 15, 2020

**MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY  
(FINANCIAL MANAGEMENT AND COMPTROLLER)**

**SUBJECT: System Review Report on the Army Internal Review Program  
(Report No. DODIG-2020-050)**

This final report provides the results of the DoD Office of Inspector General's peer review on the Army Internal Review Program. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in Enclosure 3 of the report.

The Deputy Assistant Secretary of the Army (Financial Operations), Acting Commander for U.S. Army Installation Management Command, the Commander of the U.S. Army Reserve 81st Readiness Division, and the U.S. Army Combat Capabilities Development Command Army Research Laboratory Director agreed to address all the recommendations presented in the report; therefore, the recommendations are considered resolved and open. As described in the Recommendations, Management Comments, and Our Response sections of this report, the recommendations may be closed when we receive adequate documentation showing that all agreed-upon actions to implement the recommendations have been completed. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on the recommendations. Your response should be sent to [followup@dodig.mil](mailto:followup@dodig.mil).

If you have any questions, please contact [REDACTED]

[REDACTED] We appreciate the cooperation and assistance received during the peer review.

A handwritten signature in black ink, appearing to read "Randolph R. Stone", with a long horizontal line extending to the right.

Randolph R. Stone  
Assistant Inspector General for Evaluations  
Space, Intelligence, Engineering, and Oversight



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**SUBJECT: System Review Report on the Army Internal Review Program  
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We reviewed the system of quality control for the Army Internal Review (IR) Program in effect for the 3-year period ended December 31, 2018. A system of quality control encompasses the Army IR Program's organizational structure, the policies adopted, and procedures established to provide it with reasonable assurance of conformity with the December 2011 version of the Government Auditing Standards (GAS), issued by the Government Accountability Office. The elements of quality control are described in the GAS. The Army IR offices are responsible for establishing and maintaining a system of quality control that is designed to provide reasonable assurance that the Army IR offices and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the Army IR Program's compliance with standards and requirements based on our review.

We conducted our review in accordance with the 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," September 2014 version. 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, attestation engagements, nonaudit services, and administrative files to test for conformity with professional standards and compliance with the Army IR Program's system of quality control. The audits and attestation engagements we selected represent a reasonable cross section of work performed at the Army IR Program offices. Prior to concluding the peer review, we 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.

The nature, extent, and formality of an audit organization's system of quality control varies based on the office size, number of offices, dispersion, knowledge and experience of its personnel, nature and complexity of its audit work, and cost-benefit considerations. Accordingly, in addition to the GAS as well as Army IR guidance, we evaluated each office's

compliance with policies, practices, and standard operating procedures (SOPs). We also 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. 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, except for the deficiencies described in this report, the system of quality control for the Army IR Program in effect for the 3-year period ended December 31, 2018, has been suitably designed and complied with to provide the Army IR Program with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. In some instances, we asked for explanations to further clarify work performed, but we determined that the Army IR offices had obtained sufficient evidence to support the findings, conclusions, and recommendations in the reports we reviewed. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The Army IR Program has received a rating of *pass with deficiencies*. We recognize that some of the Army IR offices would receive a different rating if they were reviewed separately; however, when reviewed as a collective program, the Army IR Program received a *pass with deficiencies* rating.

Our determination of the external peer review rating of *pass with deficiencies* is based on the overall conclusion drawn from the assessment of the design of the Army IR Program's system of quality control and the extent of compliance with the GAS as well as Army IR policies and procedures. We took into account the nature, pervasiveness, and relative importance of any findings and deficiencies resulting from our review in evaluating the overall system of quality control. These findings and deficiencies, when considered in the aggregate, would not support a lesser rating in our opinion.

Inherent limitations exist 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.

## Organization of the Army Internal Review Program

The Office of the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA[FM&C]) has overall responsibility for the Army IR Program. The Office of the Director, Internal Review and Management Control, within the Office of the ASA(FM&C) is responsible for coordinating and directing all Army IR activities. Those responsibilities include developing Army IR policy, monitoring the execution of the Army IR Program at the major Army commands, and overseeing the Army IR auditors' training program.

Army IR offices provide an internal audit capability to Department of the Army commands, installations, and activities. The Army IR offices provide a full range of services, including full-scope internal audits and quick response audits, consulting services, and liaison services to the respective commands. Although a headquarters Army IR office provides overall Army IR policy and guidance for its command, individual Army IR offices report directly to base commanders, principal deputy commanders, or chiefs of staff, and are therefore responsive to command requests and concerns.

We noted the following deficiencies during our review.

## **Deficiency 1. Four Army IR Offices Did Not Monitor the Quality of Work Completed on Audits**

Four of the nine offices did not perform monitoring of quality procedures and did not annually summarize the results of monitoring of quality procedures. Specifically, the Headquarters, Department of the Army (HQDA); the Army Combat Capabilities Development Command Army Research Laboratory (CCDC ARL); and the Army Communications-Electronics Command (CECOM) IR offices did not monitor the quality of work completed on audits during the 3-year period covered by this review. In addition, the CCDC ARL IR office did not have policies and procedures in place for monitoring the quality of work. Furthermore, the Army Installation Management Command (IMCOM) Fort Belvoir IR office did not provide the peer review team evidence of analyzing and summarizing the results of its monitoring process for two of the three years covered by this review.

GAS 3.93 states that audit organizations should establish policies and procedures for monitoring of quality in the audit organization. Monitoring of quality is an ongoing, periodic assessment of work completed on audits. Monitoring is designed to provide management of the audit organization with reasonable assurance that the policies and procedures related to the system of quality control are suitably designed and operating effectively in practice. In addition, GAS 3.95 states that the audit organization should analyze and summarize the results of its monitoring process at least annually, with identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action.

During the 3-year period covered by this peer review, the CCDC ARL IR office was staffed with only one auditor.<sup>1</sup> In addition, since May 2018 the CECOM IR office has been staffed with only one auditor. GAS 3.93 also references supplemental guidance to assist audit organizations with implementing and continuing their monitoring of quality. Specifically, GAS A3.10c states that monitoring is most effective when performed by persons who do not have responsibility for the specific activity being monitored. Generally, the individual or individuals performing the monitoring are separate from the normal audit supervision associated with individual audits.

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<sup>1</sup> During our review period, the other CCDC ARL IR staff auditor provided audit liaison support and did not perform audits.

## ***Headquarters, Department of the Army IR Office***

During the 3-year period of our review, the HQDA IR office completed two audits and three attestation engagements. Auditors at the HQDA IR office stated that they were performing monitoring of quality procedures. However, no supporting documentation was provided to the peer review team to show that the HQDA IR office performed monitoring of quality procedures during the 3-year period covered by this review.

The HQDA IR policy states that the HQDA IR Director should annually prepare a report analyzing and summarizing the results of the monitoring of quality procedures.<sup>2</sup> Accordingly, the report must include the identification of systemic issues requiring improvement and recommendations for corrective action.

When asked about monitoring procedures at the HQDA IR office, the HQDA IR auditor described procedures such as supervisory reviews, the independent reference review process, and the use of quality control checklists. Although these measures are part of the HQDA IR office's system of quality control, they do not assess the work completed on audits. Monitoring of quality procedures should include an ongoing, periodic assessment of work completed on audits to ensure compliance with the HQDA IR's system of quality control.

## ***Combat Capabilities Development Command Army Research Laboratory IR Office***

The CCDC ARL IR office did not perform monitoring of quality procedures for the one audit it completed during the period of our review. In addition, the CCDC ARL IR office did not have policies in place for monitoring of quality procedures.

CCDC ARL IR auditors stated that monitoring of quality procedures was completed. However, for the 3-year review period, we were not provided documentation regarding any monitoring of quality procedures performed at the CCDC ARL IR office. When asked about monitoring procedures at the CCDC ARL IR office, the CCDC ARL IR auditor described supervisory reviews, rather than monitoring of quality procedures.

Although CCDC ARL IR audit personnel stated that the CCDC Headquarters Director will begin performing monitoring of quality procedures in FY 2020, the IR Chief at the CCDC ARL IR office should establish policies for monitoring of quality procedures.

## ***Communications-Electronics Command IR Office***

Auditors at the CECOM IR office conducted 11 audits during the period of our review. The CECOM IR office's SOP states that either the CECOM IR Director or the CECOM auditor will complete monitoring of quality procedures of every completed audit to ensure that audits are performed and that reports are issued in accordance with GAS.<sup>3</sup> However, no supporting documentation was provided to the peer review team to show that the CECOM IR office performed monitoring of quality procedures.

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<sup>2</sup> HQDA IR Policy, "System of Quality Control," September 20, 2017, Section 7d.

<sup>3</sup> CECOM IR Standard Operating Procedure Section 4-23, "Quality Control Reviews."

When asked about monitoring procedures at the CECOM IR office, the CECOM IR auditor stated that they complied with the CECOM IR SOP by completing a quality control checklist for every completed audit. While completing the checklist is part of the CECOM IR's system of quality control to ensure the project documentation and audit report complies with GAS prior to issuance, monitoring of quality should include an ongoing, periodic assessment of work completed on audits to ensure compliance with the CECOM IR's system of quality control.

### ***Installation Management Command Fort Belvoir IR Office***

During the period of our review, the IMCOM Fort Belvoir IR office conducted four audits and two attestation engagements. Although IMCOM Fort Belvoir IR audit personnel stated that they were performing monitoring of quality procedures, they were able to provide the peer review team with evidence of monitoring of quality procedures for only 1 year of the 3-year period covered by this review.

According to the IMCOM Fort Belvoir IR office's SOP, the IMCOM Headquarters Director, IR Directorate, established a quality assurance program to provide reasonable assurance that auditors are complying with the GAS.<sup>4</sup> The SOP also states that during the years when an external quality assurance assessment is not completed, the IMCOM Fort Belvoir IR office Directors and Chiefs will complete an internal quality assurance assessment.

The current IMCOM Fort Belvoir IR Director arrived in October 2017. In March 2018, an auditor from the IMCOM Headquarters IR office completed an internal quality assurance assessment of the audit work completed by the audit staff at the IMCOM Fort Belvoir IR office. The results of the assessment were summarized and presented to the IMCOM Fort Belvoir IR Director. A copy of this assessment was provided to the peer review team. However, the current IMCOM Ft. Belvoir IR Director informed the peer review team that the hardcopy files maintained at the IMCOM IR Fort Belvoir office prior to October 2017 were inadequate and he could not reach a clear determination as to whether there was sufficient documentation to show that any results from monitoring of quality in 2016 and 2017 were analyzed and summarized at least annually. Therefore, he was unable to demonstrate that the IMCOM Fort Belvoir IR office had monitored the quality of work completed for 2016 and 2017.

## **Corrective Actions Taken**

On September 19, 2019, the Office of the ASA(FM&C) issued the memorandum, "Monitoring of Quality for Army Internal Review Offices," to all Army IR offices emphasizing the importance of complying with the monitoring of quality standards contained in GAS 5.42 through 5.46, 2018 Revision.<sup>5</sup> The memorandum also provided guidance for monitoring of quality for those Army IR offices staffed with only one auditor. Due to the corrective actions that were taken,

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<sup>4</sup> "US Army Installation Management Command and Fort Belvoir Internal Review Audit Compliance Office Standard Operation Procedures," March 16, 2018, Section 6-1.

<sup>5</sup> 2011 GAS Sections 3.93-3.95 contain similar requirements. The 2018 version of the GAS became effective for performance audits beginning on or after July 1, 2019. Therefore, our recommendations will reference the 2018 version, rather than the 2011 version of the GAS, which was in effect during the period of review.

we are not making any recommendations for the HQDA, CECOM, and IMCOM Fort Belvoir IR offices, because the memorandum should supplement the existing monitoring of quality policies and procedures at these offices. We will still make a recommendation to the CCDC ARL IR office, because it did not have policies or procedures in place for monitoring of quality.

## **Recommendation, Management Comments, and Our Response**

### ***Recommendation 1***

**We recommend that the Internal Review Chief of the U.S. Army Combat Capabilities Development Command, Army Research Laboratory, establish policies and procedures for monitoring of quality in the audit organization.**

### ***U.S. Army Combat Capabilities Development Command Comments***

The CCDC ARL Director, responding for the CCDC ARL IR Chief, agreed, stating that the CCDC IR Chief was working with all CCDC IR offices to issue guidance related to quality control, with an anticipated issuance before the end of March 2020.

### ***Our Response***

Comments from the CCDC ARL Director addressed all specifics of the recommendation; therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we obtain a copy of the guidance and verify that it includes policies and procedures related to the monitoring of quality, such as describing monitoring activities, summarizing the results of its monitoring process, and retaining documentation.

## **Deficiency 2. Three Army IR Offices Did Not Comply With the GAS Reporting Standards**

Three of ten audit reports we selected for the IR offices at CCDC ARL, IMCOM Fort Belvoir, and the U.S. Army Reserve Command (USAR) 81st Readiness Division (81st RD) did not comply with the GAS reporting standards. GAS 7.13 states that in reporting audit methodology, auditors should explain how the completed audit work supports the audit objectives, including evidence gathering and analysis techniques. GAS 7.14 states that auditors should present in the audit report sufficient, appropriate evidence to support the findings and conclusions in relation to the audit objectives. Clearly developed findings assist management and oversight officials of the audited entity in understanding the need for taking corrective action. If auditors are able to sufficiently develop the elements of a finding, they should provide recommendations for corrective action if they are significant within the context of the audit objectives.

GAS 6.73 further states that auditors should plan and perform procedures to develop the elements of a finding necessary to address the audit objectives. The elements needed for a finding are related to the audit objectives. Thus, a finding or set of findings is complete to the extent that the audit objectives are addressed and the report clearly relates those objectives to the elements of a finding. In addition, GAS 6.75 through 6.77 defines the elements of a finding as the condition, cause, and effect. Further, GAS 7.29 states that effective recommendations encourage improvements in the conduct of Government programs and operations.

### ***Cause Deficiencies***

CCDC ARL and USAR 81st RD IR auditors did not adequately report cause statements. GAS 6.76 states that the cause identifies the reason or explanation for the condition or the factor or factors responsible for the difference between the situation that exists (condition) and the required or desired state (criteria), which may also serve as a basis for recommendations for corrective actions. Common factors include poorly designed policies, procedures, or criteria; inconsistent, incomplete, or incorrect implementation; or factors beyond the control of program management. Auditors may assess whether the evidence provides a reasonable and convincing argument for why the stated cause is the key factor or factors contributing to the difference between the condition and the criteria.

In addition, the GAS provides supplemental guidance that auditors can use when trying to identify a cause, including when auditors identify deficiencies in internal controls that are significant to the subject matter of the performance audit. GAS A6.06 states that when the audit objectives include explaining why a particular type of positive or negative program performance, output, or outcome identified in the audit occurred, it is referred to as the “cause.” Therefore, when developing a finding, the identification of the cause may assist in making constructive recommendations for correction. GAS A6.06 also states that the causes of deficient program performance are often complex and can involve multiple factors, including fundamental, systemic root causes.<sup>6</sup> We identified two Army IR offices that did not document root causes in audit reports.

### ***CCDC ARL IR Auditors Did Not Document Root Causes for One Audit Report***

For Report No. 2017-T&A, “Audit of Time and Attendance,” March 29, 2018, CCDC ARL IR auditors did not adequately develop cause statements to address the audit objectives and recommendations for corrective action. The overall objective of the audit was to determine whether time and attendance charges and all required supporting documentation were complete, accurate, approved by the appropriate person, and retained in accordance with retention policies. However, the auditors did not identify the root causes and key factors associated with the conditions that existed for seven of the eight findings.

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<sup>6</sup> Root cause in the context of this report, refers to the fundamental reason for the occurrence of a problem.

For example, the auditors identified 37 instances in which there were problems with the supporting documentation related to non-regular hours and 7 instances of inaccuracies with time coding. The auditors also concluded that management did not maintain alternative work schedules in accordance with policy. However, the auditors did not identify the root causes that could help improve recording time and attendance. The CCDC ARL IR auditors stated that the management for the audited entity was aware of the causes and wanted the auditors to identify only the conditions for each finding. However, the project files did not contain evidence of this request.

### ***USAR 81st RD IR Auditors Did Not Identify Root Causes for Two Findings in One Audit Report***

USAR 81st RD IR auditors did not adequately develop the cause statements for both of the findings in Report No. 2017-11, "Performance Audit of Internal Controls in Government Purchase Card Program," July 31, 2017. The overall objective of the audit was to determine whether there was adequate oversight of the purchase card program, and whether the program had effective internal controls and adhered to all applicable policies and procedures.

The report stated that internal control weaknesses existed in the program and presented opportunities to improve and strengthen internal controls in regard to separation of duties, records retention, management oversight, and performance of proper monthly reconciliations for the purchase card program. However, the report did not discuss specifics of the internal control weaknesses and the root causes. For example, the report did not list specific weaknesses in the separation of duties and the lack of oversight of the purchase card program. The auditors also identified missing training documentation for 17 employees in the purchase program. However, the report did not identify the root cause of the missing documentation.

### ***Effect Deficiencies***

CCDC ARL IR and USAR 81st RD IR auditors did not adequately document effect statements for the findings in two audit reports. GAS 6.77 states that the effect is a clear, logical link to establish the impact or potential impact of the difference between the situation that exists (condition) and the required or desired state (criteria). The effect or potential effect identifies the outcomes or consequences of the condition and is the measure of the actual or potential consequences of a condition that varies (either positively or negatively) from the criteria identified in the audit. The effect or potential effect may be used to demonstrate the need for corrective action in response to identified problems or relevant risks.

For both of the findings in the USAR 81st RD IR office Audit for the Government Purchase Card Program report, the auditors did not identify the outcome or consequence of the conditions. The audit report concluded that internal controls were in place and that the USAR 81st RD purchase card program complied with regulatory requirements, with the exception of performing monthly reconciliations and records retention. However, the

conclusion did not identify the consequences of the lack of adequate monthly reconciliations for purchase card transactions. In addition, the report did not include the outcome of inadequate retention of training documentation.

For the Audit of Time and Attendance report, the CCDC ARL IR auditors did not adequately identify the effect or potential effect of all eight findings. Specifically, the auditors did not identify the outcome or consequence of the conditions, including inaccurately coding time, inaccurately completing forms for alternative work schedules, and failing to maintain documentation to support non-regular hours.

### ***Recommendation Deficiencies***

Recommendations in the CCDC ARL IR office Audit of Time and Attendance report did not flow logically from the findings. GAS 7.28 states that auditors should recommend actions to correct deficiencies and other findings identified during the audit and to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the reported findings and conclusions. In addition, auditors should make recommendations that flow logically from the findings and conclusions, directed at resolving the cause of identified deficiencies and findings, and clearly state the actions recommended.

Six of the 10 recommendations included in the CCDC ARL IR office Audit of Time and Attendance report did not flow logically from the findings. For example, the report included a recommendation to reconcile timesheet hours with the supporting documentation. However, the finding did not identify the failure to reconcile timesheets as a cause, or whether reconciling timesheets is a requirement. Furthermore, the report included a recommendation to implement better records retention processes to ensure that timekeepers and employees properly retain all timekeeping supporting documentation for the extent of time required by the National Archives General Records schedule. For telework documentation, the auditors recommended a central storage process (by office or electronic) in which timekeepers can access the information in the case of an external audit and to ensure that files are not lost or destroyed. However, the finding did not identify whether the lack of retaining documentation was part of the cause for either of the findings, which resulted in the recommendations not logically flowing from the findings.

### ***Audit Reports Did Not Include a Discussion of the Review of Internal Controls***

Two audit reports that the CCDC ARL IR and USAR 81st RD IR offices issued did not address the auditors' review of internal controls. GAS 7.18 states that auditors should also report deficiencies in internal control; instances of fraud; noncompliances with provisions of laws, regulations, contracts, or grant agreements; or abuses that have occurred or are likely to

have occurred and are significant within the context of the audit objectives.<sup>7</sup> In addition, GAS 7.19 states that auditors should include in the audit report the scope of their work on internal controls and any deficiencies in internal controls that are significant within the context of the audit objectives and based on the audit work performed.

The scope and methodology of the CDC ARL IR office Audit of Time and Attendance report stated the audit objective was to verify that controls were in place and operating. However, the report did not include a discussion on the review of internal controls and internal control weaknesses that caused the findings.

The USAR 81st RD IR office Audit for the Government Purchase Card Program report stated that improvement opportunities to strengthen internal controls in the GPC program were identified in regards to separation of duties, records retention, management oversight, and performing monthly reconciliations. However, the report did not include specific details on the internal control weaknesses that the auditors identified or a discussion of the scope of the auditors' work on internal controls to arrive at these conclusions.

### ***Audit Report Conclusion Did Not Address All Audit Objectives***

The USAR 81st RD IR office's report on the Audit for the Government Purchase Card Program did not provide a conclusion to address a portion of the audit objective. GAS 7.27 states that auditors should report conclusions based on the audit objectives and the audit findings. Report conclusions are logical inferences about the program based on the auditors' findings, not merely a summary of the findings.

The specific objectives of the Government Purchase Card Program report were to determine whether the 81st RD purchase card program:

- complied with regulations, policies, and SOPs;
- had adequate internal controls for the purchase process; and
- had adequate purchase card training and certification for personnel.

The report conclusion stated that the purchase card program complied with regulatory requirements and had adequate internal controls in place, with the exception of performing monthly reconciliations and records retention. However, the report conclusion did not address the adequacy of purchase card training and certification for the 81st RD purchase card program.

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<sup>7</sup> GAS 2.15b states that the word "should" indicates a presumptively mandatory requirement; and that auditors and audit organizations must comply with a presumptively mandatory requirement in all cases where such a requirement is relevant except in rare circumstances. Furthermore, GAS 2.16 states that, if auditors and the audit organization determine it is necessary to depart from the requirement, alternative procedures should be performed to achieve the intent of that requirement.

## ***Auditors Did Not Adequately Report Sampling Methodologies at Two Offices***

For 2 of the 10 audit reports issued by the IMCOM Fort Belvoir and USAR 81st RD IR offices, we found that the auditors did not report sampling methodologies in accordance with the GAS requirements. GAS 7.13 states that in reporting audit methodology, when sampling significantly supports the auditors' findings, conclusions, or recommendations, auditors should describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population.

Our review of the IMCOM Fort Belvoir and USAR 81st RD IR reports disclosed the following.

- The types of sampling methodology used to support the auditor conclusions in Audit Report 2018-FTBEL 010, "Army Golf Operations Audit," July 5, 2018, issued by the IMCOM Fort Belvoir IR office could not be determined. The auditor selected 10 samples in the areas of membership, tournaments, cart fees, and driving range activity to support the auditor conclusions. However, the audit report did not include any information addressing the sampling methodology or how the sample testing supported the auditor conclusions. We also determined that the audit documentation and evidence on the sampling working papers could be improved. For example, 10 working papers pertaining to golf operations in the areas of membership, tournaments, cart fees, and driving range activity contained inadequate and incomplete documentation regarding audit work completed.
- The scope and methodology section in the USAR 81st RD IR office's report on the Audit for the Government Purchase Card Program did not include the total universe of billing official accounts reviewed. Furthermore, the report did not include the cardholders under the purview of the selected billing official accounts, the methodology for selecting the sample, or the reasons for reviewing 10 percent of the billing official accounts.

## **Corrective Actions Taken**

The CCDC ARL IR office took corrective action by developing testing plans to ensure the accomplishment of the planned audit objectives. The testing plans include steps to determine the root cause of the findings and the effect of noncompliance. The USAR 81st RD IR office developed an audit finding template that is used by audit staff to clearly break out the elements of a finding. This updated template includes the applicable guidance for each section, to ensure auditors consider each element when writing their findings.

## Management Comments on Cause, Effect, and Recommendation Deficiencies

### *U.S. Army Combat Capabilities Development Command Comments*

The CCDC ARL Director disagreed with the deficiencies concerning “cause,” “effect,” and “recommendations” regarding the one report we reviewed at the CCDC ARL. Specifically, the CCDC ARL Director stated the following disagreements.

- **Cause Deficiency:** While the cause deficiency stated that the project files did not contain evidence showing that the management for the audited entity was aware of the root cause, the audit request and entrance meeting notes documented the cause recommendations contained in the audit report.
- **Effect Deficiency:** According to GAS 6.73, elements needed for a finding are related to the objectives of the audit. Therefore, a finding is complete to the extent that the audit objectives are addressed and the report clearly relates those objectives to the elements of a finding. Although the effect deficiency states that the audit did not develop the effect for the finding, the audit objectives included verifying the accuracy of the transactions and completeness of the documentation. Developing the effect was not requested, nor was it stated as part of the audit objectives in the audit report.
- **Recommendation Deficiency:** GAS 6.73 states that a finding is complete to the extent that the audit objectives are addressed, while GAS 7.29 states that recommendations are effective if they encourage improvement to programs and operations. The recommendation deficiency states that the recommendations made in the audit did not logically flow from the findings because the recommendations were not directed at a root cause. However, the elements of the finding within the report included only the condition and criteria and, as a result, the recommendations were directed at practices to prevent the findings from occurring.

### *Our Response*

We disagree with the CCDC ARL Director comments. The main reason for the cause, effect, and recommendation deficiencies was the lack of clear documentation supporting that management of the audited entity was aware of the causes and only wanted the auditors to identify the conditions for each finding.

The audit objective for the Audit of Time and Attendance was to determine the completeness and accuracy of selected time and attendance charges. A further objective of the audit was to determine whether the charges were approved by the appropriate person and retained in accordance with retention policies. Based on the documentation contained in the project files, we did not find problems with the sufficiency and appropriateness of the evidence supporting the findings and conclusions in the report. However, the project files did not specifically indicate that management of the audited entity was aware of the causes.

For example, the entrance conference notes and audit request in the project file documented concerns by management for the audited entity about the number of employees on alternate work schedules, premium hours being charged, and the lack of experienced timekeepers and certifier staff. In addition, the entrance conference notes contain statements by management indicating that they were not aware of any non-compliances regarding their request for the engagement. However, we did not find any mention of specific root causes or the audited entity management's knowledge of the root causes in the project file. Likewise, we found that the relevant sections of the report for the Audit of Time and Attendance did not include root causes as to why supporting documentation for premium hour charges was not maintained, and the reconciliation process was not introduced until the actual recommendation. As a result, we maintain our original determination on these deficiencies.

## **Recommendations, Management Comments, and Our Response**

### ***Recommendation 2***

**We recommend that the Internal Review Chief of the U.S. Army Combat Capabilities Development Command, Army Research Laboratory, and the Audit Chief of the U.S. Army Reserve 81st Readiness Division Internal Review Office develop a training plan for the audit staff to obtain training on Government Auditing Standards reporting standards, including:**

- a. Developing the elements of a finding.**
- b. Reporting internal controls.**
- c. Reporting conclusions based on the audit objectives and findings.**
- d. Reporting sampling methodologies.**

### ***U.S. Army Combat Capabilities Development Command Comments***

The CCDC ARL Director, responding for the CCDC ARL IR Chief, agreed, stating that the CCDC IR Director is working with ARL IR to develop training plans on GAS reporting standards, such as developing the elements of a finding, reporting internal controls, reporting conclusions, and reporting sampling methodologies.

### ***Our Response***

Comments from the CCDC ARL Director address all specifics of the recommendation; therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we obtain a copy of the training plan for the audit staff to verify that it fully addresses this recommendation. Specifically, the training plan should include applicable GAS reporting standards, such as developing the elements of finding, reporting internal controls, reporting conclusions, and reporting sampling methodologies.

### ***U.S. Army Reserve 81st Readiness Division Comments***

The Commander of the USAR 81st RD, responding for the Audit Chief of the 81st RD IR Office agreed, stating that the Audit Chief would develop a more robust training plan for the staff. The updated training plan will include training on the required GAS reporting standards, including developing the elements of a finding; reporting internal controls; reporting conclusions based on the audit objectives and findings; and reporting sampling methodologies. The USAR 81st RD expects that the updated training plan will be established and completed by February 2020.

### ***Our Response***

Comments from the Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we obtain a copy of the updated training plan for the audit staff to verify that it fully addresses this recommendation. The updated training plan should include the GAS reporting standards, such as developing the elements of a finding, reporting internal controls, reporting conclusions, and reporting sampling methodologies.

### ***Recommendation 3***

**We recommend that the Director of the U.S. Army Installation Management Command Fort Belvoir Internal Review Audit Compliance Office and the Audit Chief of the U.S. Army Reserve 81st Readiness Division Internal Review Office develop a training plan for the audit staff to obtain training on documentation and reporting requirements for sampling methodologies.**

### ***Fort Belvoir Internal Review Audit Compliance Office Comments***

The Acting Commander for IMCOM agreed, stating that the HQ IMCOM IR Office Director will establish a standardized training course, which will include documentation and reporting requirements for sampling methodologies. The estimated completion date for this training is September 30, 2020.

### ***Our Response***

Comments from the Acting Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we obtain additional information on the proposed training course for the audit staff and verify that it includes training on documentation and reporting requirements for sampling methodologies.

### ***U.S. Army Reserve 81st Readiness Division Comments***

The Commander of the USAR 81st RD, responding for the Audit Chief of the 81st RD IR Office agreed, stating that the Audit Chief would revise its training plan for the audit staff to obtain specific training on documentation and reporting requirements for sampling methodologies. The revised training plan will be completed by February 29, 2020.

## ***Our Response***

Comments from the Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we obtain a copy of the revised training plan for the audit staff and verify that it adequately addresses training on documentation and reporting requirements for sampling methodologies.

## **Deficiency 3. Two Army IR Offices Did Not Perform Sufficient Supervisory Reviews**

Two of nine offices we selected did not perform sufficient supervisory reviews prior to report issuance. Before the CECOM IR office issued one audit report, there was no documentation of supervisory reviews of any of the evidence that supported the auditor's findings and conclusions. In addition, the supervisor at the IMCOM Fort Belvoir IR Office did not complete or perform timely reviews of the working papers for one audit.

GAS 6.83c states that auditors should document supervisory reviews of the evidence that supports the findings, conclusions, and recommendations in the audit report. In addition, in 2017, the Deputy Assistant Secretary of the Army (Financial Operations) issued a memorandum providing guidance for one-person IR offices.<sup>8</sup> The memorandum states that if one-person IR offices plan to conduct engagements in accordance with the GAS, the office must comply with the GAS supervision standards. The memorandum also states that in practice, one-person IR offices can meet the supervision standards by having working papers reviewed and approved by personnel working for a higher headquarters or an external organization.

### ***CECOM IR Office***

The project file for Report Number 2019-I01, "Audit of the 1st Quarter 50/50 Depot Maintenance Workload Distribution Reporting," January 25, 2019, did not include any evidence that supervisory reviews of the working papers related to the findings, conclusions, and recommendations were conducted prior to report issuance, as GAS 6.83 requires. The lack of supervisory reviews occurred because the CECOM IR office was staffed with one auditor during the audit and the CECOM IR Director position was vacant at that time.

The CECOM IR auditor was assisted by the IR Director at Headquarters, Army Materiel Command (HQ AMC), to ensure that a supervisory auditor reviewed the audit working papers. The auditor's efforts included e-mailing the audit documentation to the HQ AMC IR Director and granting him access to the project files maintained on a network shared drive. However, according to the HQ AMC IR Director, his duty location was in another state and he had scheduling conflicts. As a result, he did not review the audit work before the CECOM IR office issued the report.<sup>9</sup>

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<sup>8</sup> Assistant Secretary of the Army (Financial Management and Comptroller) memorandum, "Supervision Standard for One Person IR Offices," December 4, 2017. This memorandum was signed by the Deputy Assistant Secretary of the Army (Financial Operations).

<sup>9</sup> The CECOM IR office was aligned under the HQ AMC IR office.

## **IMCOM Fort Belvoir IR Office**

The project file for Report No. 2018-FTBEL-010, “Army Golf Operations Audit”, did not consistently include evidence that supervisory reviews of the findings, conclusions, and recommendations were conducted prior to report issuance, as GAS 6.83 requires. The IMCOM Fort Belvoir IR office SOP, March 16, 2018, states that the IR Director must review project documentation to make sure the working papers are prepared according to standards, answer the applicable audit steps, and ultimately help to answer the audit objectives.

For the Army Golf Operations Audit, the project file included 19 working papers that supported the auditor’s findings and conclusions. However, the supervisor reviewed only 2 of the 19 working papers before issuing the audit report. Specifically, the audit report was issued on July 5, 2018, and 11 working papers were reviewed after this date. Furthermore, six working papers did not include any evidence of supervisory review.

## **Corrective Actions Taken**

On September 19, 2019, the Office of the ASA(FM&C) issued a memorandum to all Army IR offices titled “Army Internal Review Office Compliance with Government Auditing Standards (Yellow Book) Supervision Requirements,” restating the supervision standards and providing guidance for offices staffed with one auditor. Therefore, because of the corrective actions that were taken, we are not making any recommendations.

## **Deficiency 4. Three Army IR Offices Did Not Comply With the GAS and American Institute of Certified Public Accountants Standards for Attestation Engagements**

The auditors at the IR offices at HQDA, IMCOM Fort Belvoir, and IMCOM Fort Sill did not follow all GAS and American Institute of Certified Public Accountants (AICPA) standards when conducting attestation engagements. GAS 5.01 states that auditors performing attestation engagements in accordance with the GAS should comply with the AICPA general attestation standard on criteria, fieldwork, reporting attestation standards, and the corresponding statements on standards for attestation engagements. In addition, GAS 3.74 states that auditors performing attestation engagements should be knowledgeable of the AICPA general attestation standards related to criteria, fieldwork, and reporting, as well as the related Statements on Standards for Attestation Engagements. In addition, GAS 3.74 states that auditors should be competent in applying these standards to the attestation work. Finally, AICPA AT-C Section 215 standards contain performance and reporting requirements and application guidance for all agreed-upon procedures (AUP) engagements.<sup>10</sup>

<sup>10</sup> AUP attestation engagements consist of auditors performing specific procedures on a subject matter and issuing a report of findings based on the agreed procedures. According to AICPA AT-C Section 215, “Agreed-Upon Procedures Engagements,” in an AUP engagement, the auditor does not express an opinion or conclusion. The use of the “AT-C” denominator references the AICPA’s Auditing Standards Board Clarity Project. The goal of the Clarity Project is to make U.S. generally accepted auditing standards easier to read, understand, and apply.

### ***Three Army IR Offices Did Not Use Current AICPA Standards***

The Army IR auditors at the HQDA IR, IMCOM Fort Belvoir, and IMCOM Fort Sill IR offices did not follow all of the AICPA standards for AUP engagements. GAS 2.09 incorporates the AICPA's Statements on Standards for Attestation Engagements. The most recent AICPA standard, AT-C Section 215, was effective for all AUP reports issued on or after May 1, 2017, and applied to AUP engagements selected in our review. All four of the reports we selected from HQDA IR, IMCOM Fort Belvoir, and IMCOM Fort Sill IR were issued after this date; therefore, the auditors should have implemented the updated AICPA standards in those reports.

### ***One Army IR Office Did Not Agree on the Terms of the Engagement With Management***

The IMCOM Fort Belvoir IR auditors did not include documentation in the project files indicating whether the auditors established an understanding with the audited entity regarding the engagement to be performed. GAS 5.64 states that the AICPA standards require auditors to establish an understanding with the audited entity (client) regarding the engagement to be performed for each attestation engagement. Such an understanding reduces the risk that either the auditors (practitioner) or the audited entity may misinterpret the needs or expectations of the other party.<sup>11</sup> The understanding includes the objectives of the engagement, responsibilities of entity management, responsibilities of auditors, and limitations of the engagement. The GAS requirements are also discussed in AICPA AT-C sections 215.12 and 215.14.

### ***Three Army IR Offices Did Not Obtain Written Representations From Management***

Auditors at the HQDA IR, IMCOM Fort Belvoir, and the IMCOM Fort Sill IR offices did not request or receive written representations in the form of a letter from management. AICPA AT-C 215.28 (sections a through e), require the practitioner to request from the responsible party written representations in the form of a letter addressed to the practitioner.<sup>12</sup>

The representation letter should:

- state the responsible party's assertion about the subject matter based on the criteria;
- state that all known matters contradicting the subject matter or assertion and any communication from regulatory agencies or others affecting the subject matter or assertion have been disclosed to the practitioner;
- acknowledge management's responsibility for:
  - the subject matter and the assertion;
  - selecting the criteria, when applicable; and

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<sup>11</sup> AICPA Standards refer to the auditor as the practitioner. For the purposes of this section we will use the term "auditor".

<sup>12</sup> AICPA Standards define "responsible party" as the person or persons, either as individuals or representatives of the entity, responsible for the subject matter.

- determining that such criteria are appropriate for the responsible party's purposes;
- state that it has provided the practitioner with access to all records relevant to the subject matter and the agreed-upon procedures; and
- state that the responsible party has disclosed to the practitioner other matters as the practitioner deems appropriate.

Written representations from management reduce the possibility of misunderstanding regarding the engagement responsibilities and required disclosures for each party when conducting AUPs.

### ***One Army IR Office Report Did Not Comply With All AICPA Reporting Requirements for AUPs***

The IMCOM Fort Belvoir IR auditors did not comply with the GAS and AICPA reporting requirements for AUPs. Specifically, the ID Card AUP report did not include all of the statements and elements required by AICPA AT-C 215.35. Specifically, the report did not contain the following required elements for AUPs.

- A title that includes the word "independent" in the title (AT-C 215.35a).
- An appropriate addressee as required by the circumstances of the engagement (AT-C 215.35b). The report stated only "Memorandum for Record."
- A statement that the procedures performed were those agreed to by the specified parties identified in the report (AT-C 215.35e).
- A statement that the sufficiency of the procedures is solely the responsibility of the parties specified in the report (AT-C 215.35g.i).
- A statement that the practitioner makes no representation regarding the sufficiency of the procedures either for the purpose for which the report has been requested or for any other purpose (AT-C 215.35g.ii).
- A statement that the practitioner was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter (AT-C 215.35j.ii).
- A statement that the practitioner does not express such an opinion or conclusion (AT-C 215.35j.iii).
- A statement that had the practitioner performed additional procedures, other matters might have come to the practitioner's attention that would have been reported (AT-C 215.35j.iv).
- A description of the purpose of the report, and a statement that the report is not suitable for any other purpose (AT-C 215.35m-n).
- A manual or printed signature by the Director (AT-C 215.35o).

The IMCOM Fort Belvoir IR SOP, Section 3-2, states that auditors perform attestation engagements in accordance with the GAS and related AICPA guidance. Formats for the AUP engagement letter and report were included in Appendix J of the SOP. If the IMCOM Fort Belvoir IR office had followed the SOP, the discrepancies we identified would not have occurred.

### ***Two Army IR Offices Incorrectly Included Recommendations and Management Comments in AUP Reports***

Two AUP reports prepared by the HQDA and IMCOM Fort Belvoir IR offices incorrectly contained recommendations. AICPA AT-C 215.06 states that the report objectives are to describe the procedures performed and related findings. In addition, GAS 5.65 states that AUP engagements provide neither a high nor moderate level of assurance. As a result, auditors do not perform sufficient work to be able to develop elements of a finding or provide recommendations, which are common in other types of GAS engagements.

HQDA IR office AUP Report No. 2016-13-01 contained three recommendations, including revising and issuing policy for the collection of partial advances. Furthermore, the IMCOM Fort Belvoir ID Card AUP Report No. 2018-FTBEL-015 contained a recommendation and a conclusion statement regarding the increase of staff at the ID card office. GAS 2.09c states that in an AUP engagement, the auditor does not express an opinion or conclusion, but only reports on agreed-upon procedures in the form of procedures and findings related to the specific procedures applied. In addition, both HQDA IR AUP reports included a section for management comments regarding the results of the AUP. Although GAS 5.33 and 5.34 require auditors to request and include management comments when preparing examination attestation reports, these requirements do not apply to AUP reports.

### **Corrective Actions Taken**

Auditors at the IMCOM Fort Sill IR office employ the CIGIE “Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General,” Appendix D, “Checklist for the Review of Attestation Engagements,” September 2014, to determine compliance with the GAS and AICPA standards. However, this checklist did not include the updated May 2017 AICPA AUP Clarified Standards. For example, the 2014 CIGIE checklist excludes the AICPA AT-C 215.28 requirement for auditors to obtain written representations from management when conducting AUP engagements. Once we notified the IMCOM Fort Sill IR auditors of this issue, they took corrective action to address this deficiency by updating their AUP procedures to ensure compliance with the GAS and AICPA standards. Specifically, IMCOM Fort Sill IR auditors created and provided a new AUP Quality Control Checklist and held in-house training regarding the updated AICPA standards. Therefore, because these corrective actions were taken, we are not making any recommendations for the IMCOM Fort Sill IR office.

## Recommendation, Management Comments, and Our Response

### **Recommendation 4**

**We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) and the Internal Review and Audit Compliance Office Director of the U.S. Army Installation Management Command Fort Belvoir Internal Review Audit Compliance Office:**

- a. Update attestation engagement policies and procedures to ensure that they include the most recent American Institute of Certified Public Accountants Clarified Attestation Standards.**
- b. Provide training to the audit staff to improve their understanding and knowledge of Government Auditing Standards and American Institute of Certified Public Accountants standards on conducting agreed-upon procedures engagements.**

### ***Deputy Assistant Secretary of the Army (Financial Operations) Comments***

The Deputy Assistant Secretary of the Army (Financial Operations) partially agreed, stating that the current ASA(FM&C) IR Directorate SOP have been updated to require teams performing attestation engagements to comply with the current AICPA clarified statements on standards for attestation engagements. However, they have been unable to identify a vendor who can provide the training.

### ***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. Updated attestation engagement policies and procedures will meet the intent of the recommendation. However, Army IR should consider providing in-house training sessions to improve staff understanding and knowledge of agreed-upon procedures. We will close this recommendation once we receive the updated SOPs for the IR Directorate and determine that the procedures adequately cover the most recent AICPA Clarified Attestation Standards.

### ***Fort Belvoir Internal Review Audit Compliance Office Comments***

The Acting Commander for IMCOM agreed, stating that the IMCOM Fort Belvoir IR office will update its attestation engagement SOPs to ensure the most recent AICPA clarified attestation standards are incorporated into attestation engagements. In addition, the Director of the HQ IMCOM IR office will perform training via staff assistance visits and IMCOM IR teleconferences to address the proper performance of AUP engagements. Finally, the HQ IMCOM IR office will provide guidance on developing SOPs to ensure compliance with the AICPA clarified attestation standards. IMCOM anticipates completing these actions no later than September 30, 2020.

## *Our Response*

Comments from the Acting Commander for IMCOM addressed all specifics of the recommendation; therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we obtain the updated SOPs and obtain the HQ IMCOM IR office training course materials for the performance of AUP engagements.

## **Deficiency 5. One Army IR Office Did Not Comply With All the GAS Nonaudit Services Requirements**

We reviewed the two nonaudit services that were conducted at the nine selected offices. Both of the nonaudit services, which were conducted at the IMCOM Fort Belvoir IR office, did not comply with all the GAS nonaudit service requirements. GAS 3.34 requires auditors to consider management's ability to effectively oversee the nonaudit service performed. It also requires that auditors determine whether performing a nonaudit service would create a threat to the auditor's independence with respect to any GAS audit they might perform. GAS 3.39 states that, in connection with nonaudit services, auditors should establish and document their understanding with the audited entity's management or those charged with governance, regarding the services to be performed. Lastly, GAS 3.59 states documentation of independence considerations provides evidence of the auditor's judgments in forming conclusions regarding compliance with independence requirements. The IMCOM Fort Belvoir SOP states that nonaudit services consist of all services that are not audit and attestation engagements. Furthermore, the SOP states that maintaining independence is critical and independence will be reviewed in each of these types of services.

However, for both nonaudit services we reviewed at the IMCOM Fort Belvoir IR office, the auditors did not document their consideration of management's ability to oversee the work performed, and one of the nonaudit services did not include documentation of independence considerations for one auditor assigned to the engagement.

In addition, the memorandum of understanding for the two nonaudit services did not address the GAS 3.39 requirements of establishing and documenting the services to be performed with management. Furthermore, the memorandum of understanding contained inconsistencies regarding the type of work the auditors would perform. For example, the memorandum of understanding used the term "audit" multiple times when describing the work to be performed. However, GAS 2.12 states that nonaudit services are defined as professional services other than audits and attestation engagements, and the GAS does not cover nonaudit services.

## Recommendation, Management Comments, and Our Response

### **Recommendation 5**

We recommend that the Internal Review and Audit Compliance Office Director of the U.S Army Installation Management Command Fort Belvoir Internal Review and Audit Compliance Office:

- a. Update standard operating procedures to include the latest nonaudit service requirements in the Government Auditing Standards.
- b. Provide training to audit staff regarding the Government Auditing Standards requirements for nonaudit services.

### **Fort Belvoir Internal Review Audit Compliance Office Comments**

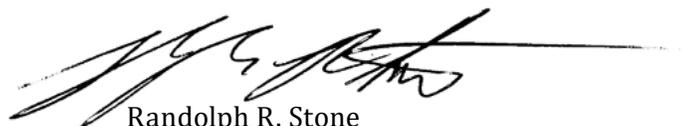
The Acting Commander for IMCOM agreed, stating that the IMCOM Fort Belvoir IR office will update its SOP to include updated nonaudit services requirements. According to the Acting Commander, the Director of the HQ IMCOM IR office will also perform training through staff assistance visits and teleconferences with HQ IMCOM IR to address nonaudit services requirements. The Acting Commander further stated that the HQ IMCOM IR office will provide guidance on developing SOPs to ensure compliance with GAS requirements for conducting nonaudit services. IMCOM anticipates completing these actions no later than September 30, 2020.

### **Our Response**

Comments from the Acting Commander for IMCOM, addressed all specifics of the recommendation; therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we confirm that the updated SOPs include updated nonaudit services requirements, and we obtain HQ IMCOM IR office training on nonaudit services requirements.

As is customary, we have issued a letter of comment dated January 15, 2020, that sets forth findings we did not consider to be of sufficient significance to affect our opinion expressed in this report. If you have any questions or would like to meet to discuss the peer review, please contact [REDACTED]

We appreciate the cooperation and assistance received during the peer review.



Randolph R. Stone  
Assistant Inspector General for Evaluations  
Space, Intelligence, Engineering, and Oversight

Enclosures  
As stated

# Enclosure 1

## Scope and Methodology

We conducted this peer review from January 2019 through November 2019 in accordance with the 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.” These standards require that we obtain an understanding of the reviewed organization’s system of quality control and conclude whether:

- the system is designed appropriately to ensure compliance with the GAS; and,
- the organization is complying with the GAS and internal policies and procedures.

This peer review covered the 3-year period from January 1, 2016, through December 31, 2018. 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 selected performance audits, attestation engagements, and nonaudit services conducted by the Army IR offices during the period of January 1, 2017, through December 31, 2018.<sup>13</sup> The Headquarters, Army Materiel Command IR Office did not issue any audit reports during the period of this peer review. Table 1 identifies the nine Army IR offices we selected for this review.

*Table 1. Army IR Offices Reviewed<sup>14</sup>*

Army IR Office	Location
Headquarters, Department of the Army Internal Review (HQDA IR)	Arlington, Virginia
Headquarters, Army Materiel Command IR (HQ AMC IR)	Redstone Arsenal, Alabama
AMC - Army Research Laboratory IR (CCDC ARL IR)	Aberdeen Proving Ground, Maryland
AMC - U.S. Army Communications-Electronics Command IR (CECOM IR)	Aberdeen Proving Ground, Maryland
HQ U.S. Army Installation Management Command IR (HQ IMCOM IR)	Fort Sam Houston, Texas
IMCOM Fort Sill IR	Fort Sill, Oklahoma
IMCOM Fort Belvoir IR	Fort Belvoir, Virginia
HQ U.S. Army Reserve Command IR (HQ USAR IR)	Fort Bragg, North Carolina
U.S. Army Reserve—81st Readiness Division Internal Review (USAR 81st RD)	Fort Jackson, South Carolina

<sup>13</sup> GAS requires that audit organizations obtain an external peer review at least once every 3 years. The actual scope of the GAS external peer review generally covers 1 year, but may be expanded at the team’s discretion. We selected the last 2 years of this period to capture any improvements made as a result of the last peer review; and ensure projects reviewed were performed under the most recent Army IR policies.

<sup>14</sup> The Table represents how offices were aligned during the period we reviewed. The Army issued General Order 2018-10, “Establishment of the United States Army Futures Command,” on June 4, 2018, which formally transferred ARL from AMC to Army Futures Command on February 1, 2019. On March 8, 2019, IMCOM became part of AMC.

We selected these offices on a non-statistical basis, and considered:

- which commands and field IR offices were included in the previous peer review;
- the number of auditors at each office; and,
- the number of audit, attestation, and nonaudit services reports issued during the 3-year period.

There were approximately 253 Army IR offices at the time we announced our review on January 9, 2019. Since then, the Army realigned several of the commands and reporting units.

We did not include the National Guard Bureau IR office in our review because we conducted a separate peer review for the National Guard Bureau IR Program. We issued the results of the review in Report No. DODIG-2019-052, “System Review Report for the External Peer Review of the National Guard Bureau Internal Review Office,” February 7, 2019.

Once we selected the nine offices for this review, we requested a list of the projects completed during the 3-year period from each office. We then selected a non-statistical sample of projects that would provide a reasonable cross-section of projects completed by each office. Overall, the universe of projects for these 9 IR offices included 48 audits, 5 attestation engagements, and 5 nonaudit services. We selected 10 of the audits, 4 of the attestation engagements, and 2 of the nonaudit services.

We reviewed the audit documentation for a terminated CECOM IR project to determine whether the CECOM IR audit staff documented the results of the work performed and why CECOM IR terminated the audit. Table 2 identifies the 10 audits we reviewed.

*Table 2. Reviewed Audits Performed by Army IR Offices*

Army IR Office	Audit Title	Report Number	Type of Review
HQDA IR	“DASA-FO Antideficiency Act Program”	Project No. 2018-2.2-001 - AUD	Performance
CCDC ARL IR	“Audit of Time and Attendance”	2017 - T&A	Performance
CECOM IR	“Q1 50/50 Depot Maintenance Workload Distribution Reporting”	2019-I01	Performance
	“Purchases Made Through Use of Government Purchase Card”	2018-I18	Terminated
HQ IMCOM IR	“Audit of Golf Operations”	2018-002	Performance
	“Terminal Audit of the Army Recreation Machine Trust Fund (ARMTF)”	2017-012	Performance
IMCOM Fort Belvoir IR	“Army Golf Operations Audit”	2018-FTBEL 010	Performance
IMCOM Fort Sill IR	“Audit of Chaplain’s Tithes and Offerings Fund”	SIL-IR 18-07	Performance

Table 2. Reviewed Audits Performed by Army IR Offices (cont'd)

Army IR Office	Audit Title	Report Number	Type of Review
HQ USAR IR	"Audit of USAR Family Support Non-Appropriated Funds"	2018-002	Performance
USAR 81st RD IR	"Performance Audit of Internal Controls in Government Purchase Card Program"	2017-11	Performance

In addition, we tested GAS and AICPA compliance for four of five attestation engagements performed between January 1, 2017, and December 31, 2018. Table 3 identifies the attestation engagements we reviewed.

Table 3. Reviewed Attestation Engagements

Army IR Office	Project Title	Report Number	Type of Review
HQDA IR	"Corrective Action Plan Validation"	CAP R-2016-07-01-DASA-FO	Agreed-Upon Procedures
	"Corrective Action Plan Validation"	CAP R-2016-13-01-DASA-FO	Agreed-Upon Procedures
IMCOM Fort Belvoir IR	"DHR ID Card Attestation Report"	2018-FTBEL-015	Agreed-Upon Procedures
IMCOM Fort Sill IR	"Agreed-Upon Procedures Attestation Engagement of the Annual Statement of Assurance for the Fires Center of Excellence"	IMSI-IR-18-08	Agreed-Upon Procedures

\*DHR Directorate of Human Resources

We tested GAS and Army IR policy compliance for nonaudit services performed during the period of January 1, 2017, through December 31, 2018. Table 4 lists the two nonaudit service projects we reviewed.

Table 4. Nonaudit Services Reviewed

Army IR Office	Project Title	Report Number
IMCOM Fort Belvoir IR	"Management Internal Control Program"	2018-FTBEL-001
	"Annual Plan and Budget"	2018-FTBEL-002

We also reviewed continuing professional education documentation for the Army IR audit staff to determine compliance with the GAS. Additionally, we interviewed auditors at the Army IR offices to determine their understanding of, and compliance with, quality control policies and procedures. Finally, we reviewed Army IR audit policies and procedures.

## Enclosure 2

### Guidance and Internal Quality Best Practices

During the entrance conference, the Principal Deputy Assistant Secretary of the Army (Financial Management and Comptroller) requested that we include in our report best practices observed at the offices we evaluated. We identified the following best practices.

#### ***Training and Continuous Professional Education***

We identified the following three best practices in the area of training and continuous professional education.

- The use of tracking mechanisms, such as Microsoft Excel spreadsheets, to monitor staff compliance with continuous professional education requirements. The Army IR offices that were using these tracking mechanisms included HQ AMC, HQ USAR, and the 81st RD.
- The maintenance of training records, including copies of training certificates for compliance with the GAS requirements. All nine offices included in this review implemented this practice.
- Annual conferences conducted by the HQ USAR IR office to help employees meet continuous professional education requirements and discuss best practices and updates to standards, policies, and regulations.

#### ***Policies and Procedures***

We identified the following five best practices in the area of policies and procedures.

- The use of statements of independence to document compliance with independence considerations. The statements of independence provided evidence that the auditor satisfied applicable GAS independence requirements for the period of the project. All nine offices included in this review implemented this practice.
- SOPs that mirrored the GAS requirements and included elements from the checklists in 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.” Five of the Army IR offices followed this best practice, including the HQ AMC, HQ USAR, HQ IMCOM, 81st RD, and IMCOM Fort Sill offices.
- The use of quality assurance checklists provides reasonable assurance that the office has adopted and follows applicable GAS requirements. Examples included the HQ AMC IR, HQ USAR IR, 81st RD IR and the IMCOM Fort Sill IR offices.
- The documentation of supervisory reviews. The first and most important element for ensuring the quality of projects is supervisory reviews of the project documentation. Documenting supervisory reviews of all working papers supporting the draft report, before report issuance, provides evidence of compliance with the GAS 6.83c

requirements.<sup>15</sup> For example, the USAR 81st RD IR office SOP contains requirements for audit supervision by the Supervisory Auditor. Supervisors use the “Supervisory Review Sheet” to document their review and comments. Additionally, the IMCOM Fort Sill SOP requires the IR Chief to perform and document periodic reviews as the audit work progresses. Reviews are documented in the working papers and in a review tracker for each project.

- The use of independent reference reviews helps to ensure that:
  - a report has been accurately referenced and that project documentation exists to support report content; and
  - products issued are accurate, complete, and logical.

For example, the IMCOM Fort Sill IR auditors perform and document independent reference reviews for the reports issued by their office.

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<sup>15</sup> This requirement was captured in Section 8.135 of the 2018 Government Auditing Standards.



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

January 15, 2020

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY  
(FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: System Review Report on the Army Internal Review Program  
(Report No. DODIG-2020-050)

We have reviewed the system of quality control for the Army Internal Review (IR) Program in effect for the 3-year period ended December 31, 2018, and have issued our final system review report on January 15, 2020, in which the Army IR Program received a rating of pass with deficiencies. The enclosed report should be read in conjunction with the comments in this letter, which were considered in determining our opinion. The findings described below were not considered to be of sufficient significance to affect the opinion expressed in the report.

### **Finding 1. One Army IR Office Did Not Have Adequate Policies for Cross-Referencing Audit Reports**

The IMCOM Fort Belvoir IR SOP did not include guidance for cross-referencing audit reports (also referred to as an independent reference review) to ensure that all statements of fact are referenced to the supporting evidence in the project documentation. The SOP states that the IR Director is responsible for developing a process for referencing an audit report to supporting working paper evidence. However, the SOP did not include any guidance for cross-referencing.<sup>16</sup>

Although cross-referencing audit reports is not required by the GAS, GAS A7.02a offers supplemental guidance stating that one way to help audit organizations prepare accurate audit reports is to use a quality control process such as the independent reference review process. The independent reference review is a process in which an experienced auditor, who is independent of the audit, checks that:

- statements of facts, figures, and dates are correctly reported;
- findings are adequately supported by the evidence in the audit documentation; and,
- conclusions and recommendations flow logically from the evidence.

<sup>16</sup> "US Army Installation Management Command and Fort Belvoir Internal Review Audit Compliance Office Standard Operation Procedures," March 16, 2018, Section 6-1.

## Recommendation, Management Comments, and Our Response

### **Recommendation 6**

**We recommend that the Internal Review and Audit Compliance Office Director of the U.S. Army Installation Management Command, Fort Belvoir Internal Review and Audit Compliance Office, develop and implement policies and procedures for cross-referencing audit reports to ensure that all statements of fact are referenced to the supporting evidence in the project documentation.**

### ***Fort Belvoir Internal Review Audit Compliance Office Comments***

The Acting Commander for IMCOM agreed and stated that the IMCOM Fort Belvoir IR office will update its SOP to include policies and procedures for cross-referencing audit reports to supporting evidence in the project documentation. In addition, the HQ IMCOM IR office will address cross-referencing procedures during FY 2020 training events and IMCOM IR teleconferences. IMCOM anticipates completing these actions no later than September 30, 2020.

### ***Our Response***

Comments from the Acting Commander General for IMCOM, addressed all specifics of the recommendation; therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we:

- obtain the updated SOP and validate that it includes policies and procedures for cross-referencing audit reports to supporting evidence in the project documentation, and
- obtain the HQ IMCOM IR office training course materials on the updated cross-referencing procedures.

## **Finding 2. One Army IR Office Did Not Document Independence Statements in a Timely Manner**

The IMCOM Fort Belvoir IR Office auditors did not always document independence in a timely manner. GAS 3.59 states that documentation of independence requirements provides evidence of the auditor's judgements in forming conclusions regarding compliance with independence standards. In addition, the IMCOM Fort Belvoir SOP requires auditors to complete an independence statement at the start of each audit. However, the IMCOM Fort Belvoir IR auditors did not always document independence in a timely manner as required by the office's internal policies. For example, the auditor assigned to the project signed an independence statement in June 2018, while the audit started in February 2018.

## Recommendation, Management Comments, and Our Response

### **Recommendation 7**

We recommend that the Director of the U.S. Army Installation Management Command, Headquarters Internal Review Office, issue a memorandum to the audit staff at the U.S. Army Installation Management Command, Fort Belvoir Internal Review and Audit Compliance Office, on the importance of completing independence statements at the beginning of an audit.

### **Fort Belvoir Internal Review Audit Compliance Office Comments**

The Acting Commander for IMCOM agreed and stated that the Director of the HQ IMCOM IR office issued “Policy Memorandum #20-001: Auditor Independence” on October 10, 2019, to all staff within IMCOM IR, to emphasize the importance of completing independence statements at the beginning of an audit. According to the Acting Commander, the memorandum included an independence statement template based on the 2018 revision of GAS.

### **Our Response**

Comments from the Acting Commander for IMCOM addressed all specifics of the recommendation; therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we obtain and review Policy Memorandum #20-001 issued by the HQ IMCOM IR office to determine that it adequately addresses the recommendation.

## **Finding 3. Auditors at Two Army IR Offices Did Not Follow Quality Control Procedures**

The HQDA IR and the IMCOM Fort Belvoir IR auditors did not follow the offices’ quality control procedures when completing audits. GAS 3.84 states that the audit organization should document compliance with its quality control policies and procedures and maintain such documentation for a period sufficient to enable those performing monitoring procedures and peer reviews to evaluate the extent of the audit organization’s compliance with its quality control policies and procedures.

The HQDA IR office could not provide the peer review team with the following cross-referenced reports:

- AUP Report 2016-13-01, “Master Corrective Action Plan Validation CAP R-2016-13 DASA-FO,” September 19, 2017
- AUP Report 2016-07-01, “Corrective Action Plan Validation CAP R-2016-07-01 DASA FO,” October 17, 2017

However, the HQDA IR SOP requires all reports to be cross-referenced to supporting and summary working papers.<sup>17</sup>

<sup>17</sup> HQDA Standard Operating Procedures, January 1, 2017, Section 4.9.

In addition, for Audit Report 2018-FTBEL 010, “Army Golf Operations Audit,” July 5, 2018, the IMCOM Fort Belvoir IR auditors did not cross-reference the draft report to ensure that all statements of fact were referenced to the supporting project documentation. The IMCOM Fort Belvoir IR office SOP states the draft report and final report sub-folders will contain a version of the cross-referenced final report. However, the IMCOM Fort Belvoir IR audit staff could not provide the peer review team the cross-referenced versions of the reports.

Further, the IMCOM Fort Belvoir IR auditors did not complete a quality control checklist to document compliance with the GAS for the Army Golf Operations Audit. The IMCOM Fort Belvoir IR office SOP states that auditors will complete the quality control checklist for each audit to document compliance with the GAS. The completed checklist will be retained in the project files. Before issuing the final report, both the auditor and the Director will sign the final page of the quality control checklist.

## **Recommendation, Management Comments, and Our Response**

### ***Recommendation 8***

**We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) and the Internal Review and Audit Compliance Director at the U.S. Army Installation Management Command, Fort Belvoir Internal Review and Audit Compliance Office, create a project file checklist to ensure that documentation required by Government Auditing Standard 5.04, 2018 Revision, and internal policies, such as cross-referenced reports and quality control checklists, is retained in the project files at the Headquarters Army Internal Review Office and U.S. Installation Management Command, Fort Belvoir Internal Review and Audit Compliance Office.**

### ***Deputy Assistant Secretary of the Army (Financial Operations) Comments***

The Deputy Assistant Secretary of the Army (Financial Operations) agreed and stated that the ASA(FM&C) IR Directorate developed a project file checklist to ensure that documentation required by GAS and internal policies, such as cross-referenced reports and quality control checklists, is retained in the project files.

### ***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 the recommendation once we receive the project documentation checklist and determine whether it meets the intent of the recommendation.

### ***Fort Belvoir Internal Review Audit Compliance Office Comments***

The Acting Commander for IMCOM agreed, and stated that the IMCOM Fort Belvoir IR office will update its project index to include a quality control checklist to be in compliance with the

GAS 2018 Revision. The Acting Commander further stated that the HQ IMCOM IR office will address quality control procedures, including the use of checklists, during FY 2020 training events. IMCOM anticipates completing these actions no later than September 30, 2020.

### ***Our Response***

Comments from the Acting Commander for IMCOM, addressed all specifics of the recommendation; therefore, the recommendation is resolved, but will remain open. We will close the recommendation once we receive the updated index and quality control index, and determine that it meets the intent of the recommendation, and obtain the HQ IMCOM IR office training course materials on quality control checklists.

## **Finding 4. One Army IR Office Did Not Adequately Document Using the Work of Another Auditor**

HQDA IR auditors did not follow AICPA requirements when assuming responsibility or making reference to another auditor's work. AICPA AT-C-105.A58, "Concepts Common to All Attestation Engagements," states that when using the work of another auditor or audit organization, the auditor performing the attestation is required to communicate clearly with the other auditor and evaluate whether the other auditor's work is adequate for the purposes of the engagement. The nature, timing, and extent of this involvement are affected by the auditor's understanding of the other auditor, such as previous experience with or knowledge of, the other auditor and the degree to which the team and the other auditor are subject to common quality control policies and procedures.

For both AUP projects reviewed for the HQDA IR Office, the reports referred to prior reports and related findings and conclusions developed by an independent public accountant. Specifically, both reports referenced findings and conclusions contained within prior year independent public reports. However, the engagement files did not include any documentation or consideration of the HQDA IR auditor's understanding of the other auditor, such as previous experience with or knowledge of, the other practitioner and the degree to which the engagement team and the other practitioner are subject to common quality control policies and procedures. Furthermore, GAS 3.107 states that auditors who are using the work of another audit organization should request a copy of its latest peer review report issued and any other written communication. The review of AUP files did not disclose any information regarding the results or HQDA IR's office's consideration of the independent public auditor's most recent peer review results.

## Recommendation, Management Comments, and Our Response

### **Recommendation 9**

We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) issue a memorandum to the Headquarters Department of the Army Internal Review Office requiring the audit staff to establish polices when assuming responsibility or referring to another auditor's work in an attestation report.

### **Deputy Assistant Secretary of the Army (Financial Operations)**

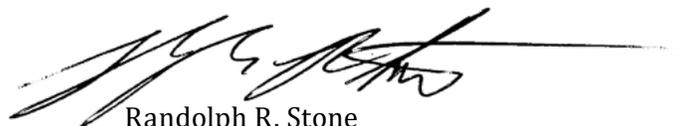
The Deputy Assistant Secretary of the Army (Financial Operations) partially agreed, stating that although they concur in principle with the recommendation, the ASA(FM&C) IR Directorate updated its SOP to include policies for using the work of other auditors when conducting attestation engagements. As a result, it would not be necessary to issue a memorandum requiring the ASA(FM&C) IR Directorate audit staff to establish polices when assuming responsibility or referring to another auditor's work in an attestation report.

### **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 the recommendation once we obtain and review the updated SOPs and determine whether the SOPs include policies for using the work of other auditors when conducting attestation engagements.

If you have any questions or would like to meet to discuss the report, please contact

 We appreciate the cooperation and assistance received during the peer review.



Randolph R. Stone

Assistant Inspector General for Evaluations  
Space, Intelligence, Engineering, and Oversight

Attachments

As stated

## Enclosure 3

### Deputy Assistant Secretary of the Army (Financial Operations) Response



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

DEC 09 2019

SAFM-FO

MEMORANDUM FOR Audit Oversight Director, Evaluations, Department of Defense  
Inspector General, [REDACTED]

SUBJECT: Consolidated Army Response to the Draft Department of Defense Inspector  
General System Review Report on the Army Internal Review Program (Project Number  
D2019-DAPOIA-0069.000)

1. Reference Department of Defense Inspector General (DODIG) Memorandum, subject: System Review Report on the Army Internal Review Program (Project No. D2019-DAPOIA-0069.000), dated November 4, 2019.
2. This memorandum and enclosure comprise the consolidated Army response to the draft report for DODIG Project Number D2019-DAPOIA-0069.000, "System Review Report on the Army Internal Review Program."
3. We concur with the overall rating of "pass with deficiencies" that was assigned to the Army Internal Review (IR) program in the draft system review report and will work to ensure that the Army implements the report's recommendations. Detailed responses to the report's individual recommendations are included in the enclosure to this memorandum. In addition, each Army command that was included within the scope of the peer review should have sent an individual response to your office addressing the recommendations directed toward their respective command and subordinate activities.
4. We appreciate the hard work and conscientiousness exhibited by your staff throughout the peer review process and look forward to working with you again during the next DODIG peer review of the Army IR program.
5. The point of contact for this memorandum is [REDACTED] who can be reached by phone at [REDACTED] or by e-mail at [REDACTED].

A handwritten signature in black ink, appearing to read "Wesley C. Miller", is positioned above the typed name.

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

Encl

## Deputy Assistant Secretary of the Army (Financial Operations) Response (cont'd)

**Enclosure: Responses to Individual Recommendations Included in DODIG Report, "System Review Report on the Army Internal Review Program," November 4, 2019 (Project Number D2019-DAPOIA-0069.000)**

**Recommendation 1:** We recommend that the Internal Review Chief of the U.S. Army Combat Capabilities Development Command, Army Research Laboratory, establish policies and procedures for monitoring of quality in the audit organization.

**Army Response:** Concur. The CCDC IR Director is working with all of the CCDC IR offices to issue policies and procedures relating to quality control; the CCDC IR Director anticipates issuing this guidance before the end of March 2020.

**Recommendation 2:** We recommend that the Internal Review Chief of the U.S. Army Combat Capabilities Development Command, Army Research Laboratory, and the Audit Chief of the U.S. Army Reserve 81st Readiness Division Internal Review Office develop a training plan for the audit staff to obtain training on Government Auditing Standards reporting standards, including: (a) Developing the elements of a finding; (b) Reporting internal controls; (c) Reporting conclusions based on the audit objectives and findings; and (d) Reporting sampling methodologies.

**Army Response:** Concur. The CCDC IR Director is working with all of the CCDC IR offices to develop training plans including the identified GAGAS reporting standards. The 81<sup>st</sup> Readiness Division IR office has already partially executed a new training plan including training on the identified GAGAS reporting standards and anticipates completing the entire training plan no later than February 29, 2020.

**Recommendation 3:** We recommend that the Internal Review and Audit Compliance Office Director of the U.S. Army Installation Management Command Fort Belvoir Internal Review Audit Compliance Office and the Audit Chief of the U.S. Army Reserve 81st Readiness Division Internal Review Office develop a training plan for the audit staff to obtain training on documentation and reporting requirements for sampling methodologies.

**Army Response:** Concur. The Director of the HQ IMCOM IR office is currently establishing a standardized training course which will include instruction on documentation and reporting requirements for sampling methodologies; this training, which will be required for all IMCOM IR auditors, will be completed no later than September 30, 2020. The Audit Chief of the 81<sup>st</sup> Readiness Division IR office will further develop the training plan for the audit staff to include training on documentation and reporting requirements for sampling methodologies and ensure this training is completed no later than February 29, 2020.

## Deputy Assistant Secretary of the Army (Financial Operations) Response (cont'd)

**Recommendation 4:** We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) and the Internal Review and Audit Compliance Office Director of the U.S. Army Installation Management Command Fort Belvoir Internal Review Audit Compliance Office: (a) Update attestation engagement policies and procedures to ensure that they include the most recent American Institute of Certified Public Accountants Clarified Attestation Standards; and (b) Provide training to the audit staff to improve their understanding and knowledge of Government Auditing Standards and American Institute of Certified Public Accountants standards on conducting agreed-upon procedures engagements.

**Army Response:** Partially Concur. The current ASA-FM&C IR Directorate Standard Operating Procedures have been updated to require for ASA-FM&C IR Directorate engagement teams performing attestation engagements to comply with the current American Institute of Certified Public Accountants (AICPA) clarified statements on standards for attestation engagements (SSAEs); while the ASA-FM&C IR Directorate concurs in principle with the recommendation to provide training to the ASA-FM&C IR staff on agreed-upon procedures engagements, we have been unable to identify a vendor who provides this type of training (even after requesting assistance from DODIG in identifying such a vendor); when and if the ASA-FM&C IR Directorate is able to identify a vendor that provides the type of training recommended in Recommendation 4 (b), this training will be provided to the ASA-FM&C IR audit staff. The IMCOM Fort Belvoir IR office will update its attestation engagement SOPs to ensure the most recent AICPA clarified SSAEs are incorporated into attestation engagements; in addition, the Director of the HQ IMCOM IR office will perform training via staff assistance visits and IMCOM IR teleconferences to address the proper performance of agreed-upon procedures engagements; finally, the HQ IMCOM IR office will provide guidance on developing SOPs to ensure compliance with the AICPA clarified SSAEs; IMCOM anticipates completing these actions no later than September 30, 2020.

**Recommendation 5:** We recommend that the Internal Review and Audit Compliance Office Director of the U.S Army Installation Management Command Fort Belvoir Internal Review and Audit Compliance Office: (a) Update standard operating procedures to include the latest nonaudit service requirements in the Government Auditing Standards; and (b) Provide training to audit staff regarding the Government Auditing Standards requirements for nonaudit services.

**Army Response:** Concur. The IMCOM Fort Belvoir IR office will update its SOP to include the latest GAGAS nonaudit services requirements. In addition, the Director of the HQ IMCOM IR office will perform training via staff assistance visits and IMCOM IR teleconferences to address nonaudit services requirements. Finally, the HQ IMCOM IR office will provide guidance on developing SOPs to ensure compliance with GAGAS requirements for conducting nonaudit services. IMCOM anticipates completing these actions no later than September 30, 2020.

## Deputy Assistant Secretary of the Army (Financial Operations) Response (cont'd)

**Recommendation 6:** We recommend that the Internal Review and Audit Compliance Office Director of the U.S. Army Installation Management Command, Fort Belvoir Internal Review and Audit Compliance Office, develop and implement policies and procedures for cross-referencing audit reports to ensure that all statements of fact are referenced to the supporting evidence in the project documentation.

**Army Response:** Concur. The IMCOM Fort Belvoir IR office will update its SOP to include policies and procedures for cross-referencing audit reports to supporting evidence in the project documentation. In addition, the HQ IMCOM IR office will address cross-referencing procedures during FY 2020 training events and IMCOM IR teleconferences. IMCOM anticipates completing these actions no later than September 30, 2020.

**Recommendation 7:** We recommend that the Director of the U.S. Army Installation Management Command, Headquarters Internal Review Office, issue a memorandum to the audit staff at the U.S. Army Installation Management Command, Fort Belvoir Internal Review and Audit Compliance Office, on the importance of completing independence statements at the beginning of an audit.

**Army Response:** Concur. The Director of the HQ IMCOM IR office issued Policy Memorandum #20-001: Auditor Independence on October 10, 2019 to emphasize the importance of completing independence statements at the beginning of an audit. The policy memorandum, which included an independence statement template based on the 2018 Revision of the GAO Yellow Book, was issued to all audit staff within IMCOM IR.

**Recommendation 8:** We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) and the Internal Review and Audit Compliance Director at the U.S. Army Installation Management Command, Fort Belvoir Internal Review and Audit Compliance Office, create a project file checklist to ensure that documentation required by Government Auditing Standards 5.04, 2018 Revision, and internal policies, such as cross-referenced reports and quality control checklists, is retained in the project files at the Headquarters Army Internal Review Office and U.S. Installation Management Command, Fort Belvoir Internal Review and Audit Compliance Office.

**Army Response:** Concur. The ASA-FM&C IR Directorate has developed a project file checklist to ensure documentation required by GAGAS and internal policies, such as cross-referenced reports and quality control checklists, is retained in the project files at the ASA-FM&C IR Directorate. The IMCOM Fort Belvoir IR office will update its index to include a quality control checklist to be in compliance with GAGAS 5.04, 2018 Revision; in addition, the Director of the HQ IMCOM IR office will address quality control procedures, including the use of checklists, during FY 2020 training events, including the one-week required training course and IMCOM IR teleconferences; IMCOM anticipates completing these actions no later than September 30, 2020.

## Deputy Assistant Secretary of the Army (Financial Operations) Response (cont'd)

**Recommendation 9:** We recommend that the Deputy Assistant Secretary of the Army (Financial Operations) issue a memorandum to the Headquarters Department of the Army Internal Review Office, requiring the audit staff to establish policies when assuming responsibility or referring to another auditor's work in an attestation report.

**Army Response:** Partially concur. While we concur in principle with this recommendation, the ASA-FM&C IR Directorate's Standard Operating Procedures have already been updated to include policies for using the work of other auditors when conducting attestation engagements. As a result, it is not necessary for the DASA-FO to issue a memorandum to the ASA-FM&C IR Directorate requiring them to establish policies covering this area.

# U.S. Army Reserve Command 81st Readiness Division Response



DEPARTMENT OF THE ARMY  
HEADQUARTERS, 81ST READINESS DIVISION  
81 WILDCAT WAY  
FORT JACKSON SC 29207-6833

AFRC-SSC-CG

7 Nov 2019

MEMORANDUM FOR [REDACTED], Auditor Oversight Director, Office of Inspector General Evaluations, Inspector General, Department of Defense

SUBJECT: Response to System Review Report on the Army Internal Review Program (Project No. D2019-DAPOIA-0069.000)

1. This memorandum serves to document the command's response to the recommendations in the System Review Report on the Army Internal Review Program as a result of the DODIG External Peer Review.

2. In response to Deficiency 2. Three Army IR Offices Did Not Comply With the GAS Reporting Standards.

a. Recommendation 2. Agree, the Audit Chief of the U.S. Army Reserve 81st Readiness Division Internal Review Office will develop a more robust training plan for the audit staff to include training on the following GAS reporting standards:

- 1) Developing the elements of a finding.
- 2) Reporting internal controls.
- 3) Reporting conclusions based on the audit objectives and findings.
- 4) Reporting sampling methodologies.

Much of the training has already been completed by the staff. As a result of the training a new audit finding template is utilized to clearly breakout elements of a finding. The entire training plan will be established and completed by 29 February 2020.

b. Recommendation 3. Agree, the Audit Chief of the Army Reserve 81st Readiness Division Internal Review Office will further develop the training plan for the audit staff to obtain training on documentation and reporting requirements for sampling methodologies. Sampling methodologies are included in the training plan for the Recommendation 2, above and will be established and completed by 29 February 2020.

*Wildcats Never Quit*

## U.S. Army Reserve Command 81st Readiness Division Response (cont'd)

AFRC-SSC-CG

SUBJECT: Response to System Review Report on the Army Internal Review Program

3. Direct any questions or concerns of this response to the Internal Review Supervisor

[REDACTED]

  
KENNETH D. JONES  
Major General, USAR  
Commanding

CF:  
DASA-FO  
ARHQ-IR

# U.S. Army Materiel Command Response



DEPARTMENT OF THE ARMY  
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND  
4400 MARTIN ROAD  
REDSTONE ARSENAL, AL 35898-5000

AMIR

09 DEC 2019

MEMORANDUM FOR Inspector General Department of Defense [REDACTED]  
[REDACTED], Audit Oversight Director, Evaluations, 4800 Mark Center Drive 6<sup>th</sup> Street,  
Alexandria, VA 22350-1500

SUBJECT: System Review Report on the Army Internal Review Program,  
Project No. D2019-DAPOIA-0069.000

1. The U.S. Army Materiel Command has reviewed and endorses the subject draft report and response from the U.S. Army Installation Management Command.
2. The U.S. Army Materiel Command point of contact is [REDACTED] or email: [REDACTED].

- 2 Encls  
1. AMC Comments  
2. AAA Draft Report

ROBERT D. HARTER  
Major General, USA  
Chief of Staff

## U.S. Army Materiel Command Response (cont'd)



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

IMIR

27 November 2019

MEMORANDUM THRU Commander, U.S. Army Materiel Command, 4400 Martin Road,  
Redstone Arsenal, AL 35898-5000

FOR THE Inspector General, Department of Defense, Audit Oversight, 4800 Mark  
Center Drive, Alexandria, VA 22350-1500

SUBJECT: Draft Report, System Review Report on the Army Internal Review Program  
(Project D2019-DAPOIA-0069.000)

1. The U.S. Army Installation Management Command (IMCOM) response to the subject draft report is enclosed. IMCOM concurs with Recommendations 3 - 8.
2. The IMCOM Internal Review point of contact for this action is [REDACTED] who can be reached at [REDACTED] or by email: [REDACTED].

- 2 Enclosures  
1. IMCOM Response  
2. Fort Belvoir Response

  
TIMOTHY P. MCGUIRE  
Major General, USA  
Acting Commander

# U.S. Army Materiel Command Response (cont'd)

DoDIG Draft Report  
System Review Report on the Army Internal Review Program  
(Project D2019-DAPOIA-0069.000 )

Command Reply for Recommendations 3 - 8

Recommendation 3

We recommend the Director of the U.S. Army Installation Management Command (IMCOM), Fort Belvoir Internal Review and Audit Compliance Office develop a training plan for the audit staff to obtain training on documentation and reporting requirements for sampling methodologies.

IMCOM Comments to Recommendation 3

IMCOM Concur. The Director, U.S. Army IMCOM, Headquarters Internal Review Office, is currently establishing a standardized training course, which will include instruction on documentation and reporting requirements for sampling methodologies. All IMCOM Internal Review auditors will be required to attend the one-week course, which will be offered three times during FY20.

**Estimated Completion Date: 30 September 2020**

Recommendation 4:

We recommend the Director of the U.S. Army IMCOM, Fort Belvoir Internal Review and Audit Compliance Office:

- a. Update attestation engagement policies and procedures to ensure that they include the most recent American Institute of Certified Public Accountants Clarified Attestation Standards.
- b. Provide training to the audit staff to improve their understanding and knowledge of Government Auditing Standards and American Institute of Certified Public Accountants standards on conducting agreed-upon procedures engagements.

IMCOM Comments to Recommendation 4

IMCOM Concur. The Fort Belvoir Internal Review office will update its attestation engagement SOPs to ensure the most recent American Institute of Certified Public Accountants (AICPA) Clarified Attestation Standards are incorporated into attestation engagements.

In addition, the Director, U.S. Army IMCOM, Headquarters Internal Review Office, will perform training via Staff Assistance Visits and IMCOM IR teleconferences to address the proper performance of agreed-upon procedures (attestation) engagements. The Headquarters staff will also provide guidance on developing SOPs to ensure compliance with the AICPA's Clarified Attestation Standards.

**Estimated Completion Date: 30 September 2020**

Enclosure 1 (pg 1 of 3)

## U.S. Army Materiel Command Response (cont'd)

DoDIG Draft Report  
System Review Report on the Army Internal Review Program  
(Project D2019-DAPOIA-0069.000)

### Recommendation 5

We recommend the Director of the U.S. Army Installation Management Command, Fort Belvoir Internal Review and Audit Compliance Office update standard operating procedures to include the latest non-audit service requirements in the Government Auditing Standards. Provide training to audit staff regarding the Government Auditing Standards requirements for non-audit services.

#### IMCOM Comments to Recommendation 5

**IMCOM Concur.** The Fort Belvoir Internal Review office will update its SOP to include the latest non-audit service requirements in the Government Auditing Standards.

In addition, the Director, U.S. Army IMCOM, Headquarters Internal Review Office, will perform training via Staff Assistance Visits and IMCOM IR teleconferences to address non-audit services requirements. The Headquarters staff will also provide guidance on developing SOPs to ensure compliance with the Government Auditing Standards' non-audit services requirements.

**Estimated Completion Date: 30 September 2020**

### Recommendation 6

We recommend the Director of the U.S. Army Installation Management Command, Fort Belvoir Internal Review and Audit Compliance Office develop and implement policies and procedures for cross-referencing audit reports to ensure that all statements of fact are referenced to the supporting evidence in the project documentation.

#### IMCOM Comments to Recommendation 6

**IMCOM Concur.** The Fort Belvoir Internal Review office will update its SOP to include policies and procedures for cross-referencing audit reports to ensure that all statements of fact are referenced to the supporting evidence in the project documentation.

In addition, the Director, U.S. Army IMCOM, Headquarters Internal Review Office, will provide guidance on developing procedures for cross-referencing engagement reports to supporting evidence in the project documentation. The Headquarters staff will also address cross-referencing procedures during FY20 training events and IMCOM IR teleconferences.

**Estimated Completion Date: 30 September 2020**

Enclosure 1 (pg 2 of 3)

## U.S. Army Materiel Command Response (cont'd)

DoDIG Draft Report  
System Review Report on the Army Internal Review Program  
(Project D2019-DAPOIA-0069.000 )

Recommendation 7

We recommend the Director of the U.S. Army Installation Management Command, Headquarters Internal Review Office, issue a memorandum to the audit staff at the U.S. Army Installation Management Command, Fort Belvoir Internal Review and Audit Compliance Office, on the importance of completing independence statements at the beginning of an audit.

IMCOM Comments to Recommendation 7

IMCOM Concurs. The Director, U.S. Army IMCOM, Headquarters Internal Review Office, issued Policy Memorandum #20-001: Auditor Independence on 10 October 2019 to emphasize the importance of completing independence statements at the beginning of an audit. The Policy Memorandum was issued to all IMCOM Internal Review audit staff, which included an Independence Statement template based on the 2018 Revision of the GAO Yellow Book. The Director also reviewed the Policy with IMCOM IR audit staff during IMCOM IR teleconferences held on 24 October 2019.

**Action Completed**

Recommendation 8: Create a project file checklist to ensure that documentation required by Government Auditing Standards 5.04, 2018 Revision, and internal control policies, such as cross-referenced reports and quality control checklists, is retained in the project files.

IMCOM Comments to Recommendation 8

IMCOM Concurs. The Fort Belvoir Internal Review office will update its index to include a quality control checklist to be in compliance with Government Auditing Standards 5.04, 2018 revision.

In addition, the Director of the U.S. Army IMCOM, Headquarters Internal Review Office, will address quality control procedures, including the use of checklists during FY20 training events, including the one-week required training course and IMCOM IR teleconferences.

**Estimated Completion Date: 30 September 2020**

Enclosure 1 (pg 3 of 3)

## U.S. Army Materiel Command Response (cont'd)



DEPARTMENT OF THE ARMY  
US ARMY INSTALLATION MANAGEMENT COMMAND  
HEADQUARTERS, UNITED STATES ARMY GARRISON, FORT BELVOIR  
9820 FLAGLER ROAD, SUITE 213  
FORT BELVOIR, VIRGINIA 22060-5928

IMBV-IR

12 November 2019

MEMORANDUM FOR Office of Inspector General, 4800 Mark Center Drive,  
Alexandria, VA 22350-1500

SUBJECT: Fort Belvoir Garrison Response to External Peer Review of the Army  
Internal Review Program - IMCOM IRACO - Fort Belvoir VA.

1. **Background Information:** The Military District of Washington (MDW) Office of the Inspector General completed a peer review of audits performed at the Fort Belvoir Office. They reviewed the following:

- a. U.S. Army Installation Management Command and Fort Belvoir Internal Review Audit Compliance Office Standard Operating Procedures, March 16, 2018
- b. Project documentation for audit project "Golf Course Audit," (Project No. 2018-FTBEL-010)
- c. Project documentation for the agreed-upon procedures attestation engagement, "ID Card Attestation," (Project No. 2018-FTBEL-015)
- d. Project documentation for non-audit service, "Management Internal Control Program," (Project No. Project 2018-FTBEL-001)
- e. Project documentation for non-audit service "Annual Plan and Budget," (Project No. 2018-FTBEL-002)
- f. Continuing Professional Education (CPE) documentation to determine whether the audit staff met Generally accepted Government Auditing Standards (GAGAS) requirements (2017-2018 training cycle)

2. The purpose of the peer review was to determine whether Fort Belvoir IR was complied with the GAGAS general standards of independence, competence, professional judgement, and quality control and assurance, Inspector General (IG) Internal Review (IR) used the "Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General" (CIGIE) checklist for Appendix B and Appendix E. For Attestation Engagements the IG created their own checklist for the evaluation because the CIGIE checklist was outdated. Fort Belvoir IR office provided requested documentation and filled out its portion of Appendix B but were not given the IG IR filled out portions for review. Fort Belvoir was the only office that had Non-Audit services reviewed during this peer review engagement.

**"LEADERS IN EXCELLENCE"**

Enclosure 2

## U.S. Army Materiel Command Response (cont'd)

IMBV-IR

SUBJECT: Fort Belvoir Garrison Response to External Peer Review of the Army Internal Review Program - IMCOM IRACO - Fort Belvoir VA.

3. Recommendation 3 p.12: Classes will be arranged with HQ IR who will provide instructors for training and funding on documentation and reporting requirements for sampling methodologies.

4. Recommendation 4 p.18: This recommendation had two parts.

a. The Fort Belvoir Internal Review office will update its attestation engagement policies and procedures within its SOP to ensure that the most recent American Institute of Certified Public Accountants Clarified Attestation Standards are incorporated into attestation engagements.

b. Classes will be arranged with HQ IR who will provide instructors for training and funding on conducting agreed-upon procedures engagements.

5. Recommendation 5 p.19: This recommendation had two parts.

a. The Fort Belvoir Internal Review office will update its SOP to include the latest non-audit service requirements in the Government Auditing Standards.

b. Classes will be arranged with HQ IR who will provide instructors for training and funding.

6. Recommendation 6 p.27: The Fort Belvoir Internal Review office will update its SOP to include develop and implement policies and procedures for cross-referencing audit reports to ensure that all statements of fact are referenced to the supporting evidence in the project documentation.

7. Recommendation 8 p.28: The Fort Belvoir Internal Review office will update its index to include a quality control checklist to be in compliance with Government Auditing Standards 5.04, 2018 revision.

8. The point of contact for this memorandum is [REDACTED] IRACO director and can be reached at his office number of [REDACTED] or email at [REDACTED]

Encls  
IG report Project No.  
D2019-DAPC/A-0069.000

  
MICHAEL H. GREENBERG  
COL, FI  
Commanding

# U.S. Army Combat Capabilities Development Command Response



DEPARTMENT OF THE ARMY  
U.S. ARMY COMBAT CAPABILITIES DEVELOPMENT COMMAND  
6662 GUNNER CIRCLE  
ABERDEEN PROVING GROUND, MARYLAND 21005-5201

FCDD-CG

18 November 2019

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

SUBJECT: U. S. Army Combat Capabilities Development Command Comments to Draft Report on System Review on the Army Internal Review Program (Project No. D2019-DAPOIA-0069.000)

1. The Department of Defense Office of the Inspector General (DoD OIG) conducted a peer review of the Army Internal Review Program. The DoD OIG selected the U.S. Army Combat Capabilities Development Command (CCDC) Army Research Laboratory (ARL) Internal Review (IR) Office as part of their sample of Army Internal Review Offices. The objective of the peer review is to ensure that the Army IR offices are in compliance with generally accepted government auditing standards (GAGAS). While the Army IR Program did receive a pass with deficiencies, recommendations for improvements were written to specific IR Offices reviewed. The CCDC IR Office has reviewed the results and recommendations of the peer review.
2. The DoD OIG recommended that CCDC ARL IR establish policies and procedures to monitor quality within the audit organization. The CCDC concurs with the recommendation. The CCDC IR Director is working with all of the CCDC IR offices to issue guidance related to quality control. Anticipated issuance is March 2020.
3. The DoD OIG recommended that CCDC ARL IR develop a training plan to obtain training on GAGAS reporting standards. The CCDC concurs with the recommendation. The CCDC IR Director is working with all of the CCDC IR offices to ensure that all auditors meet the mandatory GAGAS training requirements.
4. The CCDC endorses the additional comments made by CCDC ARL that are included as an enclosure to this memo.
5. The POC for this action is [REDACTED] email:  
[REDACTED]

A handwritten signature in black ink, appearing to read "T. B. Harris", is positioned above the typed name.

TERRENCE B. HARRIS  
COL, GS  
Chief of Staff

# U.S. Army Combat Capabilities Development Command Response (cont'd)



DEPARTMENT OF THE ARMY  
U.S. ARMY COMBAT CAPABILITIES DEVELOPMENT COMMAND  
ARMY RESEARCH LABORATORY  
2800 POWDER MILL ROAD  
ADELPHI, MARYLAND 20783-1138

18 NOV 2019

FCDD-RLL-I

MEMORANDUM THRU Commanding General, U.S. Army Combat Capabilities Development Command (FCDD-IMI), 5101 Aberdeen Blvd, Aberdeen Proving Ground, MD 21005-5066

FOR Department of Defense Office of Inspector General, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Command Comments to Draft Report on System Review on the Army Internal Review Program (Project No. D2019-DAPOIA-0069.000)

1. The Department of Defense Office of the Inspector General (DoD OIG) conducted a peer review of the Army Internal Review Program. The DoD OIG selected the U.S. Army Combat Capabilities Development Command (CCDC) Army Research Laboratory (ARL) Internal Review (IR) Office as part of their sample of Army Internal Review programs. The objective of the peer review is to ensure that the Army IR offices are in compliance with generally accepted government auditing standards (GAGAS). The CCDC ARL has reviewed the results and recommendations of the peer review.
2. The DoD OIG recommended that ARL IR office establish policies and procedures to monitor quality within the audit organization. The ARL IR concurs with the recommendation. The CCDC IR Director is working with ARL's IR office and will be issuing policies and procedures during FY2020 for the CCDC IR enterprise. The anticipated issuance date is March 2020.
3. The DoD OIG recommended that ARL's IR office develop a training plan to obtain training on GAGAS reporting standards including developing findings, reporting internal controls, reporting conclusions, and reporting sampling methodologies. The ARL IR concurs with the recommendation. The CCDC IR Director is working with ARL IR to develop training plans to include GAGAS reporting standards.
4. While ARL concurs with both recommendations, we disagree with some of the deficiencies identified in the draft report:
  - a. Cause Deficiency: The deficiency states that the project files did not contain evidence showing the entity requesting the audit already was aware of the root cause. We disagree with this deficiency. Both the audit request and entrance meeting notes documented the cause, which was the reason the audit was requested. These files were retained within the project file and provided to the DoD OIG.

## U.S. Army Combat Capabilities Development Command Response (cont'd)

FCDD-RLL-I

SUBJECT: Command Comments to Draft Report on System Review on the Army  
Internal Review Program (Project No. D2019-DAPOIA-0069.000)

b. Effect deficiency: The deficiency states that the audit did not develop the effect for the finding. We disagree with this deficiency. The GAGAS 6.73 states that the elements needed for a finding are related to the objectives of the audit. Thus, a finding is complete to the extent that the audit objectives are addressed and the report clearly relates to those objectives to the elements of a finding. The stated audit objectives were to verify the accuracy of the transactions and completeness of the documentation. Developing the effect was not requested, nor was it stated as part of the audit objectives in the audit report.

c. Recommendation deficiency: This deficiency states that recommendations made in the audit did not logically flow from the findings because the recommendations were not directed at a root cause. We disagree with this deficiency. The GAGAS 6.73 states that a finding is complete to the extent that the audit objectives are addressed. In this engagement, the elements of the finding included only the condition and criteria and, as a result, the recommendations were directed at practices to prevent the findings from occurring. In addition, GAGAS 7.29 states that recommendations are effective if they encourage improvement to programs and operations. Our recommendations did encourage improvements in the processes and were directly related to the findings and conclusions in the report.

5. The point of contact for this action is [REDACTED] She may be reached at [REDACTED] or via email at [REDACTED]

  
PHILIP PERCONTI  
Director



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