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1-12	14-May-99	PMP-P	The Agency Management System
10-1	04-Aug-95	PMO	United States Army Audit Agency
27-1	23-Feb-97	GC	Legal Issues, Policy and Procedure
36-1	20 May 98	FAP	The Army's Management Control Process
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36-103	11-Sep-89	PMA	Technical Experts
37-1	25-Aug-92	PMP	Reimbursement for Audits Performed on Behalf of Government Agencies Other than the Department of Defense
380-1	30-Jun-93	PMA	Safeguarding Information & Automation Resources
380-5	10-Jan-91	PMP	Building Physical Security for Headquarters, USAAA
600-21	28-Oct-99	PMP	Training and Professional Development
600-67	1-Dec-98	PMP	Civilian Employees Exit Clearance Requirements
690-1	03-Apr-95	PMP	Hours of Duty, Time and Leave Administration
690-430	09-Aug-99	PMPM	Job Performance Appraisals
700-1	14-May-93	FWPM	USAAA Women's Program

DEPARTMENT OF THE ARMY

HEADQUARTERS, UNITED STATES ARMY AUDIT AGENCY

ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION 1-1 **16 June 1995**

EFFECTIVE 1 JULY 1995

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DELEGATION OF SIGNATURE AUTHORITY

Purpose

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Letterhead Stationery and Use of Authority Lines

Responsibilities of Deputy Auditors General

Signature Block

Appendix A - Retained Signature Authority

Appendix B - Delegated Signature Authority

1. PURPOSE. This regulation sets forth the policies and procedures to be followed in connection with delegations of signature authority by The Auditor General.

2. APPLICABILITY. The provisions of this regulation are applicable to all personnel and elements of the U.S. Army Audit Agency.

3. REFERENCES

AR 10-2, U.S. Army Audit Agency

AR 10-5, Organizations and Functions, Headquarters Department of the Army

AR 25-50, Preparing and Managing Correspondence

AR 36-5, Auditing Service in the Department of the Army

USAAA Regulation 10-1, Organization and Functions, United States Army Audit Agency

USAAA Regulation 36-54, Procedures for Processing, Distribution, and Finalization of Audit Reports

USAAA Regulation 36-61, Transmittals of Tentative Findings and Recommendations and Draft Audit Reports

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4. BACKGROUND

AR 10-5 sets forth the responsibilities of The Auditor General, one of which is the responsibility for the operational performance of the Agency. This encompasses the organization, direction, and management of all elements and resources of the U.S. Army Audit Agency. The Auditor General cannot share or delegate any of this responsibility.

Chapter 7 of AR 25-50 provides that commanders and heads of agencies or offices may delegate their signature authority to subordinates. The Auditor General has elected to delegate signature authority for specific functional areas as detailed in the ensuing paragraphs.

5. POLICY

The Auditor General will retain signature authority for correspondence and audit reports listed in Appendix A. His signature authority will be delegated to subordinates in accordance with the general guidelines in Appendix B.

The delegated signature authority to an individual will be terminated upon retirement, change of duties, or change of position of the individual to whom specific signature has been delegated.

All military-style correspondence prepared in Headquarters, addressed to individuals or activities outside the USAAA, and which is to be signed by an individual to whom signature authority has been delegated by The Auditor General, will contain the authority line as specified in paragraph 6b.

Correspondence between Agency elements will not contain authority lines.

The authority for program directors, audit managers, audit supervisors, and auditors-in-charge to sign memorandums transmitting tentative findings and recommendations and draft audit reports to the audited activity or command is contained in USAAA Regulation 3661.

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6. PROCEDURES

Delegation. The Auditor General will delegate signature authority to designated Agency individuals by means of memorandums which will specifically identify when and under what circumstances the delegated signature authority may be used.

Letterhead Stationery and Use of Authority Lines. All audit reports (printed and bound, or those in a memorandum format), will have the Letter of Transmittal printed on the letterhead stationery of the U.S. Army Audit Agency and contain an authority line. The authority line to be used on reports signed by the program directors will be "**FOR THE DEPUTY AUDITOR GENERAL:**"; reports signed by the deputy auditors general will use "**FOR THE AUDITOR GENERAL:**".

7. FURTHER DELEGATION OF SIGNATURE AUTHORITY. Responsibilities of the Headquarters deputy auditors general are set forth in USAAA Regulation 10-1; and, accordingly, signature authority of these individuals may be delegated to subordinates.

The program directors will use the following authority line:

FOR THE DEPUTY AUDITOR GENERAL:

Supervisors--including auditors-in-charge--will use the following authority line when so authorized:

FOR THE PROGRAM DIRECTOR:

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8. SIGNATURE BLOCK. The signature block will consist of the name and title of the individual to whom signature authority has been delegated. In the absence of the designated individual, subordinates may sign for them signing their own name and adding the word "for" in front of the designated individual's signature block.

FOR THE ACTING DIRECTOR:

s/Larry R. Siler

LARRY R. SILER
Associate Director
Policy and Programs Division

THE PROPONENT OF THIS REGULATION IS THE DIRECTORATE OF AUDIT POLICY, PLANS AND RESOURCES. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PRP.

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APPENDIX A

RETAINED SIGNATURE AUTHORITY

1. The Auditor General will retain signature authority for all audit reports and correspondence addressed to the Secretary of the Army and Chief of Staff. In the absence of The Auditor General, the designated deputy auditor general will approve and sign audit reports.

2. The Auditor General will also retain signature authority for the following types of correspondence:

All papers and documents on which The Auditor General's personal signature is required by law or regulation such as the CFO opinion statements.

All correspondence and related documents pertaining to the responsibilities assigned to The Auditor General as part of the Secretariat and which cannot be further delegated (such as Career Program Manager for CP-11, the auditor sub-field of the Comptroller Civilian Career Management Program).

Correspondence directed to the heads of other government agencies or activities.

Replies to correspondence directed to The Auditor General's personal attention.

Correspondence addressed to a Member of Congress.

3. When a deputy auditor general believes that The Auditor General's signature is needed on correspondence (or an audit report) that would otherwise be within their signature authority, an over-print memorandum will be prepared stating why The Auditor General's signature is required.

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APPENDIX B

DELEGATED SIGNATURE AUTHORITY

1. The Auditor General has delegated signature authority as follows except for that retained as set forth in Appendix A:

2. Deputy Auditor General, Policy and Operations Management ---authority to sign correspondence and related actions pertaining to Agency audit policy, resources, and operations management including automation and audit followup. The director's responsibilities are contained in Chapter 4 of USAAA Regulation 10-1.

3. Deputy Auditors General -

Acquisition and Force Management Audits

Financial Audits

Logistical Audits

4. Authority to sign correspondence and other related actions concerning audits in the deputy's assigned functional areas of responsibility as stated in USAAA Regulation 10-1. Included are summary multilocation audit reports and those reports addressed to:

Under Secretary of the Army

Vice Chief of Staff

Director of the Army Staff

Administrative Assistant

Assistant Secretaries of the Army

5. Counsel - authority to sign correspondence and other related actions pertaining to providing legal assistance to Agency staff, assistance and advice given or received from other audit, inspection or investigative organizations and activities, and correspondence and actions pertaining to release of information and data under the Freedom of Information Act.

6. Program Directors - will be delegated by their Deputy Auditors General authority to sign correspondence and audit reports prepared in their area of functional responsibility (excluding those audit reports stated in Appendix A, and those stated in paragraph 2 above).

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DEPARTMENT OF THE ARMY

HEADQUARTERS, U.S. ARMY AUDIT AGENCY

ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION 1-12

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AIMS Reports

Appendix A - Employee Time Reporting

Apprendix B - Audit/Consulting, Special Project, Project and Report Numbers

Appendix C - Source of Audit Codes

Appendix D - Audit Function Codes

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Administration

THE AGENCY MANAGEMENT SYSTEM

1. **PURPOSE**. This regulation establishes The Agency Management System (TAMS) policies and responsibilities.

2. **APPLICABILITY**. The provisions of this regulation apply to all Agency personnel.

3. **BACKGROUND**. The Agency Management System is the automated management information system designed to provide Agency management officials with information essential to current and future operations. Some of the more important system objectives include:

- Establishing and controlling the audit and consulting programs and subsequent changes.
- Providing management with a number of analytical, statistical and trend reports geared to improving the effectiveness and efficiency of operations.
- Identifying staffing requirements for individual assignments and total Agency needs.

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4. **PROCEDURES**. The following appendixes provide more definitive guidance covering maintenance and operation of the System:

- Appendix A, Employee Time Reporting
- Appendix B, Assignment and Report Numbers
- Appendix C, Source of Assignment - Codes
- Appendix D, Function Codes

5. **POLICY**. TAMS data must be accurate, complete and information obtained and entered in a timely manner in order to provide a sound basis for management decisions and actions.

6. **RESPONSIBILITIES**

(a) The Deputy Auditor General, Policy and Operations Management, through the Program Director, Planning and Resource Management, is responsible for:

1. Exercising and maintaining oversight of TAMS operations pertaining to planning, execution and reporting on scheduled assignments.
2. Coordinating and entering data to entity and program files.
3. As requested, obtaining special reports, analyses and listings through retrieval programs.
4. Maintaining registers establishing assignment numbers for audits and consulting engagements, and registers for establishing report numbers.
5. Developing and providing guidance relating to TAMS changes and modifications.

(b) Deputy Auditors General, through their program directors, are responsible for:

1. Providing accurate and timely information and data to be entered into TAMS.
2. Approving and promptly disseminating changes to previously established assignments.

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7. **INPUT DOCUMENTS**. Some of the basic input documents for maintaining and updating of TAMS are:

- TAMS Screen A141, Monthly Percentage Information
- New Engagement Sheet
- Assignment Monthly Status Report (USAAA Form A358).
- TAMS Screen A105, Objective Status Input Screen
- Published reports, including memorandum, special, trend, advisory, and consulting reports.

8. TAMS REPORTS. The system is designed to provide a number of recurring reports and to provide a variety of special reports through use of retrieval programs.

FOR THE DEPUTY AUDITOR GENERAL:

JOHN R. BOURGAULT

Program Director

Planning and Resource Management

THE PROPONENT OF THIS REGULATION IS THE OFFICE OF THE DEPUTY AUDITOR GENERAL, POLICY AND OPERATIONS MANAGEMENT. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PMP.
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APPENDIX A

EMPLOYEE TIME REPORTING

This appendix regulation prescribes the policies and procedures to be used by employees of the U.S. Army Audit Agency for recording and reporting time expenditures. The recording and reporting of time expenditures by Agency personnel is a vital part of TAMS. It provides management officials with the information and data necessary to efficiently and effectively manage the resources and operations of the Agency.

1. POLICY

(a) Time and Attendance data is used to record time expenditures on audits, projects and special projects.

1. It is essential that time and attendance data be timely and accurately reported.
1. Screen A141 Monthly Percentages for Time Distribution must be completed when notification email is sent to responsible individual.
1. Any individuals who are not covered in the time and attendance data sent to DCPS - Pensicola will enter their hours for each month into screen A143 by the second workday of each month.

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2. **REPORTING GUIDANCE**. Screen A143 will be updated as follows:

(a) "**Type**" - this column is used to record the regular hours worked and leave codes.

1. Regular Time Worked. The type hour of **"D" --** the time reported against an audit/consulting, special project or project number (training time captured in TAMS will be extracted from this time when TAMS program is run to post time).
2. Leave Type Codes. The management and support functions are grouped into various categories. These position codes are as follows:

- **"U" Military leave** - used by Agency employees in the military reserves while performing military active-duty training.
- **"V" Home leave** - this code will be used by overseas employees to record approved home leave.
- **"W" Leave without pay** - time of any employee in a leave without pay (LWOP) status, or in any other non-pay status.
- **"X" Annual leave** - use this code for time expended on annual leave. Military personnel will charge as "annual leave" all time spent in a leave, pass or VOCO status which corresponds to the definition of annual leave for civilian personnel, but will record as leave only those hours of leave taken during the normal duty hours of their office.

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- **"Y" Sick leave** - use this code for time taken as sick leave. Military personnel will generally record

time to sick leave in accordance with the definition of sick leave for civilian personnel.

- **"Z" Other paid leave** - use this code to record all time spent in a leave status other than annual, sick, military, leave without pay or home leave. This includes holiday, PCS, certification training, and administrative leave.

1. **Hours** record the time expended for each type code reported.

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APPENDIX B

AUDIT/CONSULTING, SPECIAL PROJECT, PROJECT AND REPORT NUMBERS

This appendix prescribes the guidelines to be followed in establishing assignment numbers and the coding to be used for management control and reporting of statistical data and information on audits and consulting engagements performed by the Agency.

1. MAJOR CODES AND TITLES. The major controlling elements related to accumulation of statistical, management and historical data on audits and consulting work are:

- Assignment Number
- Title
- Summary Code
- Report Number

If any of the items are incorrect or miscoded, the resulting statistical and historical data will be distorted.

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2. CONTROL RECORDS AND PROCEDURES

(a) **Assignment Numbers**. Paragraph 3 describes the composition of an audit assignment or consulting engagement number and the procedures for developing the initial designation. The assignment number reflects the USAAA program director, the fiscal year in which the work is to be initiated, an assignment number and a suffix code. The automated assignment registers will be monitored by Planning and Resource Management personnel.

(b) Audit Titles. For statistical record purposes, brevity is essential in the audit title (50 characters allowed). However, the title used must describe the subject and scope of the work as explicitly as possible, and not be abbreviated to the extent that it may be misleading with respect to the subject or scope of the work.

- Terms such as "Review of" and "Audit of" are implicitly understood and will not be included as part of the title.
- The type of audit or consulting engagement, such as "multilocation," "requested," or "mandatory" is not necessary as part of the title.

(c) Audit Report Numbers. All audit and consulting engagement reports issued by the USAAA will contain a report number. Paragraph 5(b) contains the guidelines to be followed in the numbering of reports.

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3. AUDIT ASSIGNMENT NUMBERS

(a) General

1. New assignment numbers will be assigned to all existing engagements to reflect the program director responsible for that audit or consulting engagement.
2. Multilocation engagements can be identified by the assignment number suffix as set forth in paragraph d.
3. If an assignment is initially coded improperly, the coding will be corrected.

(b) **Composition of Assignment Number**. Each assignment number consists of six characters -- an alphabetic prefix, four numeric digits and an alphabetic suffix.

- The first character designates the USAAA program director responsible for the assignment:

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USAAA Element	Prefix
Office of Acquisition and Materiel Management Audits	
Acquisition, Research and Development	A
Intelligence and Security	I
Logistics	L
Maintenance	M
Working Capital Fund	W
Office of Force and Financial Management Audits	
Business Operations and Information Technology	B
Corps of Engineers	C
Forces and Manpower Management	F
General Fund	G
Theater Operations, Pacific	P
Office of Installation Management	
Environment, Safety and Chemical	E
Heath and MWR	H
Installation Operations	O
Installation Studies	T
Theater Operations - Europe	U

Office of Organizational Effectiveness	
Strategic Planning	S
Followup	D
Quality Assurance	Q

- The second character (numeric) denotes the fiscal year in which the engagement is planned to start; the digit used is for the last number of the fiscal year (e.g., "9" for FY 99, "0" for FY 00, etc.).
- The third, fourth and fifth characters (numeric - referred to as "serial number") denotes a given audit or consulting engagement.
- The sixth character (alphabetic) denotes the various sites of a multilocation audit or consulting engagement, or that it is a single location audit or consulting engagement. Paragraph d below sets forth the suffix codes.Back to Top

(c) **Serial Numbers**. Serial numbers identify individual audits or consulting engagements, consist of three numerical digits, and are assigned as follows:

- Audits will be numbered consecutively each fiscal year, by program director, beginning with serial number "101."
- Consulting engagements will be numbered consecutively each fiscal year, by program director, beginning with serial number "701."

(d). **Suffix Codes**

Suffix codes are used to identify the various locations of multilocation engagements, or to denote a single-location engagement. Within the suffix coding structure, the letters are assigned as follows:

Letter	Use
A	Reserved for future use.
B	Generally, this is not used. On occasion, it may be used for the audit planning/survey phase at the audit control point of a multilocation engagement
C	Used for the execution phase at the audit control point of a multilocation audit or consulting engagement
D-R and T-Z	Represents the participating sites of multilocation audit or consulting engagement.
S	Denotes a single-location audit or consulting engagement.

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(e) **Summary Codes**. In addition to the assignment numbers, the Summary Code permits summarizing statistical data for all sites on a specific multilocation assignment. The code consists of the first through fifth characters of the assignment number (i.e., A6101, B6701, etc.). If your participating in an MLA along with an OCONUS desk, the summary code reflects the assignment number of the ACP.

4. SPECIAL PROJECTS. Special Project numbers consist of six characters: (e.g., SP9901)

- SP are the first two characters indicating a special project
- the next two characters indicate the fiscial year.
- The fifth and sixth characters represent a numeric numbering of the special projects as they are entered into TAMS

5. REPORT NUMBERS A report is the formal document that sets forth the results of an audit or consulting engagement.

(a) **Report Registers**. Automated report registers will be established by Planning and Resource Management for (i) audit reports, and (ii) consulting reports.

- New registers will be established at the beginning of each fiscal year.
- Report numbers will be recorded in the report registers by Joseph Vogel (Alternate, Tammy Kiriluk) at the time the report is being finalized.
- Numbers will be assigned in either of the two registers, in sequence, regardless of the format of the report (formal or memorandum).

(b) **Composition of Report Numbers**. Each audit number consists of three parts:

- An alphabetic prefix of two letters--"AA"--denoting the USAAA.
- The fiscal year in which the report was issued, i.e., 96, 97, etc.
- The report number (assigned in sequence) denoting the audit or consulting engagement performed.

The report number series and corresponding assignment number series are as follows:
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Assignment No. Series	Type of Effort	Report No. Series
101	Audit	1
701	Consulting	701

Examples of audit report numbers are "AA 96-1," "AA 96-2." Examples of consulting report numbers are "AA 96-701," "AA 96-702."

NOTE: An exception will be where a consulting report is issued in conjunction with an audit report.

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APPENDIX C

SOURCE OF AUDIT CODES

A "source code" will be inserted into TAMS for all assignments as they are programmed; this is a mandatory field. The code consists of four-characters, composed as follows:

	Code
Character 1 - Type of Source	
Requested	R
Mandatory	M

Consulting	C
Internal to USAAA	I
Character 2 - Level of Source	
Army Secretariat	A
Army Staff	C
Major Commands	M
Local Commander's Request	R
External to Army	E
Internal to USAAA	I
Note: Level of source for mandatory audits are: Management Control Process, commercial activities, and internal review - "A"; Red Cross, Antideficiency Act Preliminary Investigation, Superfund and CFO audits -"E." *Back to Top*	
Characters 3 + 4 - Specific Level of Source	
Army Secretariat	
Secretary of the Army	SA
Under Secretary of the Army	US
Administrative Assistant	AD
ASA (CW)	CW
ASA (IV)**	IV
ASA (FM&C)	FM
ASA (ALT)*	LT
ASA (MRA)	MR
DISC4	DC
The Inspector General	IG
Chief of Public Affairs	PA
Army Reserve Forces Policy Committee	PC
Note: Local commanders requests - use applicable Secretariat, DA Staff or major command code. *Back to Top*	
Army Staff	
Chief of Staff	CS
Vice Chief of Staff	VC
Director of Army Staff, Director of Management	DA
DCSOPS	OP
DCSPER	PE
DCSLOG	LO

DCSINT	SN
ACSIM	IM
The Surgeon General	SG
Chief of Chaplains	CH
The Judge Advocate General	JA
Chief, National Guard	NG
Chief, Army Reserve	CC
Major Commands Back to Top	
U.S. Army, Europe and Seventh Army	AE
U.S. Army Materiel Command	MC
U.S. Army Information Systems Command	SC
Military District of Washington	MD
Forces Command	FC
U.S. Army Medical Command	HS
U.S. Army Corps of Engineers	CE
U.S. Army Intelligence & Security Command	IN
Military Traffic Management Command	MT
U.S. Army Criminal Investigation Command	CI
U.S. Army Training & Doctrine Command	TC
Eighth U.S. Army	EA
U.S. Army, Pacific	WE
U.S. Army South	AS
U.S. Army Special Operations Command	SO
U.S. Army Space and Missile Defense Command	SM
External to Army Back to Top	
Justice Department	JD
Treasury Department	TD
DOD Inspector General	DI
Defense Department - Other	DD
Congressional	CG
Mandatory Audits - use in lieu of any other Specific Level of Source:	
Management Control Process	IC
Commercial Activities	CA
Red Cross	RC
Superfund	SF

Chief Financial Officer Audits	CF
Internal Review Evaluations	FM

*ASA(RDA) was previously represented by RD

**ASA(ILE) was previously represented by IL

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APPENDIX D

AUDIT FUNCTION CODES

When planning and programming a new assignment, an initial determination will be made as to the primary functional area in which work will be performed, and the selected function code entered in TAMS along with other pertinent assignment data.

CODE	TITLE
A1A	Procurement - Inventory Control Activities
A1B	Procurement - Research and Development
A2A	Procurement - Other
A2B	Contract Administration
A3A	Manufacturing and Production
B1A	Construction
B2A	Real and Installed Property
C1A	Major Systems Acquisition
C2A	Research and Development
C3A	Test and Evaluation
D1A	Information Management
D3A	Communications
E1A	Security
E2A	Intelligence
E3A	Special Programs & Sensitive Activities
F1A	Program and Budget
F2A	Other Comptroller Functions
F4	CFO Audits
F7A	Security Assistance Program
G1A	Civilian Pay and Benefits
G2A	Military Pay and Benefits
H1A	Installation Management
J1A	Transportation

K1A	Supply Operations - Wholesale
K2A	Supply Operations - Retail
L1A	Rebuild and Overhaul of Equipment
L2A	Maintenance and Repair of Equipment
O1A	Health Services
P1A	Audits and Other
P1B	Investigative Support
P2A	Commercial Activities Program
P3A	Base Realignment and Closure Support
P3B	Other Studies
Q1A	Military Personnel Management
Q2A	Civilian Personnel Management
S3A	Property Disposal
T1A	Nonappropriated Funds
W1A	Forces Management

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DESCRIPTION OF FUNCTION CODES

A1A PROCUREMENT - INVENTORY CONTROL ACTIVITIES. Covers reviews of major procurement mission at national inventory control points (NICPs), including procurement for wholesale supply system

- Requirements
- Specifications, solicitations, awards
- System(s) development and acquisition management
- Follow-on contracts

A1B PROCUREMENT - RESEARCH AND DEVELOPMENT. Procurement related to systems or items while they are in research and development, excluding those classified as major systems. Includes procurement of research and development services and the initial buy.

- Requirements
- R&D services
- Proposal development, requests, evaluation
- Solicitation, negotiation, award

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A2A PROCUREMENT - OTHER. Procurement actions other than Major Systems Acquisition, Procurement-Inventory Control Activities, and Procurement-R&D. Covers from initiation of procurement through award of contract or purchase; includes installation contracting.

- Local, small purchases
- Leases
- Service contracts
- Procurement of transportation
- Solicitation, negotiation, award
- Procurement management

A2B CONTRACT ADMINISTRATION. Covers all functions associated with procurement that follow contact award--management of administration process, acceptance and payment, compliance with contractual provisions.

- Quality assurance
- Contract compliance
- Acceptance testing
- Government furnished material/property
- Review of administrative contracting officer actions

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A3A MANUFACTURING AND PRODUCTION. Encompasses the review of in-house and contractor operated manufacturing and production facilities, including production and scheduling systems, quality control functions, management and use of real property, industrial plant equipment, vehicles and all other equipment.

- Operations at government arsenals
- Government-owned contractor operated plants
- Government-owned government operated plants
- Printing plants and services

B1A CONSTRUCTION. Encompasses the construction, rehabilitation, modernization, expansion, and improvement of real property and facilities; includes minor, military and civil works construction. Also includes all those support and other functions Division or District Engineers do in conjunction with performing their primary missions--construction requirements determination, project development, design, contract award, and administration of construction projects.

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B2A REAL AND INSTALLED PROPERTY. Reviews of the management and control over real and installed property from determination of need through use and disposition, including maintenance of such property

- Requirements determination, acquisition, leasing
- Energy conservation
- Utility systems
- Family and troop housing
- Facilities engineering management (facility utilization, master planning, and all supply,

maintenance, repair and renovation activities)

- Maintenance of facilities
- Environmental issues
- Hazardous waste disposal/cleanup (includes DERA and Superfund)
- Home Owners Assistance Program

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C1A MAJOR SYSTEMS ACQUISITION. Covers audits of those items meeting definition of a Major Defense Acquisition Program; includes programs subject to reporting requirements of SARs. Includes configuration changes that involve substantial engineering changes to major items (control of technical data packages, value engineering program). Covers all functional areas of a Program Executive Officer (PEO), Program, Product or Project Manager (PM) related to the research, development, acquisition, modification, technical testing or management of a weapons or weapons information management system.

- Requirements, specifications
- Solicitation, negotiation and award
- Major system development and acquisition management
- Cost and price analysis

C2A RESEARCH AND DEVELOPMENT. Includes reviews of initial formulation of requirements for research and development and translation of requirements into a specific program. Includes basic and applied research and exploratory, advanced, and engineering development.

- Material and weapons qualitative requirements
- War gaming
- Combat strategy concepts
- Basic and applied research
- Exploratory, advanced, engineering development

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C3A TEST AND EVALUATION. Covers audits of the testing phase, including operations of test facilities and evaluation of test data. Does not include tests of specific weapon or information management systems done for PEOs or PMs.

- Testing center operations
- Development testing
- Operational testing

D1A INFORMATION MANAGEMENT. This area covers the design, development, operation, use, testing, and security of electronic data processing and other types of management information systems, both automated and manual. It also includes the analysis of requirements for both equipment and software.

- Systems design, equipment and software requirements
- Data processing operations
- Utilization of data processing equipment

- Word processing operations
- Acceptance testing
- Adequacy of output
- Management controls
- Computer security
- Plans and justification for upgrading hardware

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Includes assessing security needs for electronic transmission of data and involves accreditation, risk analysis and safeguarding of all automation equipment and media.

D3A COMMUNICATIONS. Encompasses activities dealing with the radio, signal, voice, and visual communication over tactical, nontactical, strategic, or commercial networks. Includes evaluating organizational plans, assignment of responsibilities, staffing, training, equipment management and use.

- Requirements
- Strategic, tactical, commercial communications
- Communications operations
- AUTOVON/AUTODIN/DSN
- Alert/warning networks

E1A SECURITY. Includes all aspects of the management, supervision, and operational control of intelligence, as well as aspects of security associated with controlling and safeguarding resources.

- **Personnel Security.** Involves classifying positions, monitoring individual needs for security clearances and includes mobilization, deployment, and movement and operations plans required to perform assigned missions.
- **Physical and Operational Security.** Involves security of facilities and equipment, including access controls, safeguarding of equipment, and action plans when breaches of physical security are detected. Also, covers tactical and nontactical operational security programs.

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E2A INTELLIGENCE. Intelligence Activities and Functions-- involves the management, operations and training of intelligence activities Armywide. Includes intelligence collection, production and use; threat projection, indications and warnings; and scientific and technological support; and intelligence planning.

E3A SPECIAL PROGRAMS AND SENSITIVE ACTIVITIES

F1A PROGRAM AND BUDGET. Encompasses the management of program priorities and shifting of resources; translation of those priorities into an approved budget; the carrying-out of that plan; and overview of entire process.

- Program priorities
- Budget preparation
- Budget review, execution
- Year-end spending controls

- Administrative control of funds

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F2A OTHER COMPTROLLER FUNCTIONS. Encompasses the review of all remaining financial areas with the exception of functions covered under military pay, civilian pay, and program and budget.

- Travel
- Cost analysis
- Accounting systems, financial reporting
- Cash management, disbursements
- Industrial, stock funds
- Accounts receivable, payable
- Financial management
- Unliquidated obligations
- Use of special funds
- Management control process

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CFO AUDITS

F4C General Fund CFO Audits. This function code will be used to record all direct time expended on specific programmed audit lines for verification of the general fund financial statements prepared under the Chief Financial Officer Act.

F4E Army Working Capital Fund CFO Audits. This function code will be used to record all direct time expended on specific programmed audit lines for verification of the Defense Business Operations Fund financial statements prepared under the Chief Financial Officer Act.

F4F COE Civil Works CFO Audits. This function code will be used to record all direct time expended on specific programmed audit lines for verification of the Corps of Engineers - Civil Works - financial statements prepared under the Chief Financial Officer Act.

F4G Other CFO Audits. This function code will be used to record all direct time expended on specific programmed audit lines for verification of financial statements prepared under the Chief Financial Officer Act other than those covered by codes F4cC F4E, F4F and F4H.

F4H COE Military Construction CFO Audits. This is used to record time expended on specific programmed lines for verification of the Army's General Fund financial statements.

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F7A SECURITY ASSISTANCE PROGRAM. Covers audits of DOD foreign military sales--from overall management of the programs to compliance and performance at recipient country level.

- Foreign military sales program
- Customer order program

- Foreign military sales training
- Material pricing, billings, collections
- Grant aid assistance
- Military assistance program

G1A CIVILIAN PAY AND BENEFITS. This code covers compensation of civilian personnel--both U.S. civilian and foreign national--administration of leave systems, recording of time worked, and controls over and authorization for overtime and incentive pay.

- Pay systems review
- Payroll preparation
- Leave administration
- Overtime controls and administration
- Timekeeping

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G2A MILITARY PAY AND BENEFITS. This area covers the compensation of military personnel and the administration of leave and military allowances.

- Pay systems review
- Payroll preparation
- Leave administration
- Review of allowances
- Special/proficiency pay
- Reenlistment bonuses
- Retired, medical disability payments

H1A INSTALLATION MANAGEMENT. Encompasses various services financed from appropriated funds required to support operations; excludes reviews of procurement, financing, personnel utilization, etc., which are chargeable to other codes. Includes overall installation management functions that are not specifically identifiable to another function code.

- Food service operations
- Central issue facilities
- Laundry, dry cleaning,, petroleum, etc.
- Guard services
- Safety - all aspects of vehicular, aviation and occupational safety, including protective clothing and equipment, accident prevention and reporting
- Audiovisual services
- Community activities - gymnasiums, libraries, and sports programs
- Family support programs-- community service, family advocacy, foster care, relocation planning, sponsorship programs, service clubs, youth activities, child development services, and exceptional family member program

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J1A TRANSPORTATION. Includes the management and control of all aspects related to use of land, sea, and air transportation for movement of personnel and equipment, using both military and commercial sources. Includes:

- Requirements determination
- Port, airfield, and motor pool operations
- Utilization of transportation equipment
- Traffic management
- Passenger, freight, and household goods movements
- Flying hour program

K1A SUPPLY OPERATIONS - WHOLESALE. Encompasses the review of supply operations at the wholesale (depot and inventory control point) level from initial determination of requirements through receipt, storage, issue reporting, and inventory control. Includes:

- Stock balance and consumption reporting systems
- Contingency and war reserve stockage
- Configuration management
- Technical publications
- Preservation and packaging
- Overhaul, rebuild or disposal
- Cataloging function, Army Master Data File

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K2A SUPPLY OPERATIONS - RETAIL. Covers audits of all supply operations at retail (customer) level, including accountability and control for supplies and equipment of all commodities, but excludes procurement of material and supplies. Includes:

- Requirements determination, requisitioning, receipt, storage, and issue, inventory control, reporting, and equipment utilization.
- All aspects of supply operations at major commands, Army and corps support commands, materiel management centers, and installation supply activities which do not operate as direct supply support activities.
- Installation supply activities and general support units which directly support using units, division support commands, organic direct supply support units, non-divisional direct support units, self-service supply centers, and contractor-operated parts stores.
- All other aspects of supply operations at active Army MTOE and TDA using units and activities. Specific functions include (i) maintenance of basic, operational, prescribed and combat loads of supplies and repair parts to sustain operations; and (ii) actions taken to request supplies, maintain document registers, and account for assigned supplies.

L1A REBUILD AND OVERHAUL OF EQUIPMENT. Encompasses major repair (depot level), reconditioning, and associated functions such as inspection. Includes reviews of the management,

operations, and scheduling of the maintenance program.

- Maintenance inspection
- Production control
- Depot-level modifications
- Calibration
- Quality assurance
- Updating of technical publications

All supply functions in support of the maintenance mission at the depots, including supply management, stock control, requirements determinations, requisitioning, receipt, issues, storage, inventory accountability, operation of automated storage and retrieval systems, and equipment authorization and use.

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L2A MAINTENANCE AND REPAIR OF EQUIPMENT. Covers the management and operations of the maintenance and repair function for equipment, materials, and supplies of all commodities at organizational and field (below depot) levels. Excludes maintenance and repair of real property and facilities. Includes:

- User level maintenance
- Scheduling of maintenance operations
- Army Oil Analysis Program

O1A HEALTH SERVICES. This area encompasses the management and operations of medical, dental and veterinary activities, and other health care related areas. Includes management of equipment, professional staff, finance, supply, facilities, records, medical mobilization planning and quality assurance programs. Also covers the review of the Army Industrial Hygiene program as administered by The Surgeon General.

P1A AUDITS AND OTHER. This code is used for direct audit time not identifiable with another specific code. It is used for evaluations of followup systems and time spent conducting reviews of internal review, inspection and investigative activities.

P1B INVESTIGATIVE SUPPORT. Covers time spent on reviews performed in support of inspection and investigative agencies; includes time of auditors loaned to investigative teams regardless functional area.

- Reviews of all inspection and investigative functions performed by inspector generals throughout DA.
- Reviews of criminal investigations and crime prevention programs Army activities conduct. These activities include the U.S. Army Criminal Investigation Command and military police.

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P2A COMMERCIAL ACTIVITIES PROGRAM. Includes reviews of those actions taken in connection with program established by OMB Circular A-76, including management of program, validation of cost studies, and reviews of post-decision actions.

- Program management

- Independent cost comparison reviews
- Cost studies
- Post-award reviews

P3A BASE REALIGNMENT AND CLOSURE SUPPORT. Reviews adequacy of the documentation supporting the base realignment and closure decision making process. Includes evaluating base closure construction requirements, the accuracy of other cost and savings data and the execution of past base realignment and closure actions.

P3B OTHER STUDIES. Management and coordination of studies such as those under the Army Study Program.

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Q1A MILITARY PERSONNEL MANAGEMENT. This code covers the authorization, recruitment, training, assignment, and use of military personnel. Excludes military pay, and training of military units which is included under Forces Management.

- Manpower requirements, authorizations, management
- Recruitment
- Basic and advanced individual training
- Training center operations
- Training areas and facilities
- Military schools
- Personnel utilization, retention
- Management of Reserve component technicians
- Reserve Officer Training Corps

Q2A CIVILIAN PERSONNEL MANAGEMENT. Includes all aspects of managing and training the civilian workforce--recruitment, hiring, utilization, development of skills and abilities, provision of training, separation, and grievances.

- Personnel authorizations, recruitment, classification
- Individual training, school training
- Manpower surveys. personnel management
- Productivity standards, measurements
- EEO actions
- Incentive awards
- Employee assistance

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S3A PROPERTY DISPOSAL. Encompasses audits of actions taken to dispose of property, equipment, and supplies and the management of activities engaged in disposing of property.

- Management of disposal operations

- Shipment for disposal
- Demilitarization prior to disposal
- Screening for reutilization
- Control over scrap material

T1A NONAPPROPRIATED FUNDS. Activities of a morale, welfare or recreational natures, financed from nonappropriated funds NAFs). Audits of procurement, personnel, financial management or other functions in connection with NAFs are included in this area.

- Activities include major command morale, welfare and recreation funds; chaplain funds; Army central insurance fund; civilian welfare funds; and post restaurant operations. Includes oversight reviews of AAFES internal review operations.
- Some activities are revenue generators (such as clubs and bowling centers) and some activities are non-revenue generators (such as libraries and sports centers). Collectively, the activities are to be self-sufficient.
- Activities and programs that are business oriented and have the capability to generate enough revenues to meet operating expenses.
- This functional area includes the review of the annual report to Congress prepared by the American National Red Cross.

W1A FORCES MANAGEMENT. Encompasses audits of the operational readiness capability of combat and combat support (both Active and Reserve Component) forces. Includes analysis of the use of resources to attain required combat capability or readiness levels.

- Military unit training
- Contingency/Mobilization planning
- Readiness reporting systems
- Active/Reserve forces operations
- Actions to improve readiness
- Force structure planning
- Training exercises
- Joint readiness and specialized training
- Prepositioned (POMCUS) equipment program
- New missions (disaster relief, humanitarian assistance, drug interdiction)

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DEPARTMENT OF THE ARMY

HEADQUARTERS, UNITED STATES ARMY AUDIT AGENCY

ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION NO. 10-1 **4 August 1995**

ORGANIZATION AND FUNCTIONS

UNITED STATES ARMY AUDIT AGENCY

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Policy and Operations Management

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Appendix B - Functions of Program Directors Responsible for Audits

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Appendix D - USAAA Administrative Workcenters (To be published at a later date)

INTRODUCTION

Purpose. This regulation prescribes the organization, mission, and major functions of organizational elements of the United States Army Audit Agency. Its purpose is to show the framework within which the Agency accomplishes its audit mission, and to show staff and operational responsibility within the Agency.

Scope. The provisions of this regulation apply to all elements of the Agency.

MISSION, FUNCTIONS AND ORGANIZATION

Mission. The mission of the Agency is to provide an independent and objective internal audit service to the Department of the Army through an appropriate mix of performance and financial audits. The scope of internal audit extends to all Army organizations and activities and all aspects of management and related controls.

Functions. The Agency is the centralized internal audit organization within the United States Army. The internal audit function uniquely supplements routine management checks through its independent approach and methods of review, and is one of the essential tools of management, complementing other

elements of management control.

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OFFICE OF THE AUDITOR GENERAL

Organization. The Office of The Auditor General is comprised of the following:

The Auditor General

Counsel

Military Assistant

Chief, Productivity Improvement

The Auditor General

Functions. The Auditor General is responsible to the Secretary of the Army for the operational performance of the U.S. Audit Agency and is responsive to the Chief of Staff, Army for audit service. The Assistant Secretary of the Army (Financial Management and Comptroller) furnishes advice and assistance when requested by The Auditor General. The Auditor General is responsible for:

- Establishing DA audit policy.
- Providing internal audit coverage of all levels and functions throughout DA
- Approving contracts for all internal audits.
- Implementing audit standards established by the Comptroller General of the United States and audit policy directed by the Office of Management and Budget and DOD.
- Consulting with and assisting top managers in the Office of the Secretary of the Army, the Army Staff and major commands on audit matters.
- Coordinating with the General Accounting Office, Office of the Secretary of Defense, Department of Defense Inspector General, and heads of the Navy and Air Force audit activities.
- Providing technical audit training for internal review auditors in coordination with the Assistant Secretary of the Army (Financial Management and Comptroller).
- Evaluating the internal review program.
- Serving as the Career Program Manager for the auditor subfield of the Civilian Comptroller Career Program.

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Counsel

Functions. Serves as legal advisor to The Auditor General and to the members of his staff, furnishing authoritative legal advice and assistance to all organizational elements. The determination of Counsel on all questions of law arising out of the performance of the audit mission is binding on Agency personnel. The counsel will:

- Furnish legal advice on legal matters having a major impact on the Agency in which operational

policy may be involved or in connection with reports, letters and memorandums.

- Perform all functions required of a legal counsel as prescribed in the Comptroller General's Government Auditing Standards for the Agency.
- Review and analyze all audit findings involving a potential violation of the Anti-Deficiency Act and determine whether findings warrant reporting under the provisions of pertinent laws and regulations.
- Render legal opinions with respect to all possible serious incident report situations under the criteria prescribed in AR 190-40 (Serious Incident Report), regarding use of both appropriated and nonappropriated funds.
- Make a legal review of proposed legislation, Army regulations and other related directives having direct or indirect impact on the Agency's mission, functions, policies and procedures. Advise or consult with Agency officials on legal interpretations and furnish opinions or advice when proposed legislation or directives would affect audit functions.
- Render advice and opinions to the audit staff on all legal matters, and furnish on-site advice and assistance to field audit staff in instances of unusual importance and complexity.
- Act as the Agency fraud monitor and liaison to the U.S. Army Criminal Investigation Command. review, take appropriate staff action, and make recommendations to responsible DA elements concerning reports of suspected fraud or criminal conduct as disclosed by Agency audit activities.
- Originate and issue publications pertaining to the legal aspect of Agency activities.
- Act as the Agency's point of contact for all requests for records and reports under the Freedom of Information Act in accordance with AR 340-17 (Release of Information and Records from Army Files).
- Act as a point of contact for the Agency for all matters and actions related to implementing policy and procedures of AR 340-21 (The Army Privacy Program) and the Privacy Act of 1974.
- Act as Ethics Counselor under the provisions of DOD Joint Ethics Regulation (DOD 5500.7-R) and provide advice concerning the Ethics in Government Act of 1978.
- Maintain liaison with the Department of Justice, Office of the General Counsel, The Judge Advocate General, and the U.S. Army Criminal Investigation Command.
- Provide advice and assistance in all personnel matters which could lead to complaints of discrimination, appeals to the Merit Systems Protection Board, or litigation in State or Federal Court.
- Represent the Agency before the Merit Systems Protection Board, the Equal Employment Opportunity Commission, and the U.S. Army Civilian Appellate Review Agency.

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Military Assistant

Functions. Serves as the military advisor to The Auditor General. As such, the Military Assistant is responsible for protocol and dealing with Army and other governmental agencies and representatives on command and staff matters of interest to The Auditor General. Also, serves as The Auditor General's special assistant and maintains day-to-day contact with counterparts at the DA Staff and Secretariat levels.

Chief, Productivity Improvement

Functions. Serves as the quality initiatives and productivity improvement advisor to The Auditor General, and to members of his staff, the Quality Council, and Agency personnel. Facilitates and coordinates initiatives and actions to implement and maintain the Total Quality Management (TQM) philosophy throughout the Agency. Also, provides assistance to Army activities implementing TQM in their organization. The Chief, Office of Productivity Improvement duties include:
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- Developing and implementing the Agency's strategic quality plan for institutionalizing TQM throughout the Agency.
- Conducting training and instruction at Agency schools on the concepts and workings of TQM in the Agency.
- Promoting continuous improvement plans and actions in Agency programs and services.
- Assisting in facilitating process action team and improvement group meetings.
- Assisting Agency activities in using TQM and/or productivity improvement techniques.
- Developing the agenda for Quality Council meetings and assisting The Auditor General in facilitating the meetings.
- Monitoring and tracking the status of process action teams and improvement groups' major accomplishments and plans.
- Initiating contact and establishing the flow of information with the Army's proponency for TQM, Army major and subordinated command TQM offices, and with the TQM offices of other federal and service audit agencies.
- Developing plans, monitoring, and performing evaluations for reviews of TQM initiatives within the Army.
- Representing the Agency in matters concerning quality improvement with officials from GAO, DOD, DA, Navy and Air Force and other federal agencies.

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POLICY AND OPERATIONS MANAGEMENT

Organization

Organization. The Office of Policy and Operations Management is organized as follows:

Deputy Auditor General, Policy and Operations Management

Program Director, Planning and Resource Management

Program Director, Policy, Followup and Training

Program Director, Program and Audit Support

Deputy Auditor General, Policy and Operations Management

Functions. Serves as the principal advisor to The Auditor General in all matters pertaining to audit policy, plans, programs, audit followup and compliance, new audit techniques, and personnel and other

resources. Responsible for evaluating how effectively and efficiently the operations of the Agency are conducted. Coordinates and maintains liaison with Army elements on resource matters (personnel and funds) and outside organizations such as DOD and the General Accounting Office on matters relating to audit standards, policy and programs. The Deputy Auditor General, Policy and Operations Management responsibilities include:

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- Advising The Auditor General on audit policy and on planning and executing the Agency audit program.
- Maintaining direction and control over establishing and implementing audit policy and standards.
- Directing field reviews to ensure compliance with audit policy and standards.
- Maintaining staff direction and control over planning and developing the Agency's audit program.
- Performing research to determine the best means of applying current professional developments to accomplish the Agency's mission. This includes developing and testing new audit techniques and approaches.
- Managing the career development program for Agency personnel.
- Advising The Auditor General on Agency manpower and funding requirements.
- Performing special projects as directed.
- Monitoring actions resulting from audits or inspections of Agency activities.
- Participating on DOD working groups and task forces.
- Maintaining control of the Agency's information management system.
- Serving as Senior Management Control Official for the Agency.
- Maintaining the repository of reports and official files.
- Reporting to DOD and Congress on Agency operations and monetary benefits.
- Maintaining property accountability over Agency resources.
- Maintains direction and control over the Army's audit followup and compliance function and monitoring the audit report command-reply process.
- Serving as point of contact for external reviews of the Agency and for releasing audit regulations and guides, working papers, and Agency audit reports.
- Monitors the operations of the Agency's established administrative workcenters.\

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Program Director, Planning and Resource Management

Functions. Serves as the focal point on all matters relating to audit plans, programs, staffing, and management of Agency manpower, money and materiel resources. Coordinates and maintains liaison with and represents the Agency on DOD working groups, committees and panels. Supports The Auditor General's need to keep top Army managers informed on Agency operations. The Program Director, Planning and Resource Management is responsible for:

- Coordinating audit research efforts into those Army programs, operations, and problems which require high priority treatment in audit planning.

- Selecting and assigning audit staff to all Agency audit and consulting engagements.
- Supervising the use of the Agency's information management system for audit planning and control.
- Serving as initial point of contact on audit planning and coordination matters with the DA Inspector General; General Accounting Office; DOD Inspector General; Air Force Audit Agency; and Naval Audit Service.
- Monitoring the receipt, processing and release of Agency audit reports and subsequent command-reply process and reporting of potential monetary benefits.
- Supervising the preparation of reports on Agency operations required by management or outside activities.
- Acting as the proponent for Agency regulations governing audit planning, reporting, and official audit report files.
- Directs and supervises all resource management activities within the Agency.
- Presents the Agency's budget estimates before the Army Program and Budget Committee, and provides backup material as directed by the servicing Operating Agency.
- Monitors travel policy for the Agency.
- Represents the Agency in matters related to maintaining and improving professional audit competence.

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Planning and Programming

Functions. Defines requirements for the Agency's information management system for audit planning, programming, management analysis, and performance evaluations. Monitors the preparation of the Agency's quarterly Schedule of Audits for the Secretariat and DA Staff. Provides information needed to prepare management information and briefing materials that The Auditor General presents to Army managers and the DOD audit chiefs. Performs special projects as assigned. Planning and Programming includes:

- Maintaining control over the Agency's information management system for audit planning, inventory of auditable entities, and time expenditure records of Agency personnel.
- Preparing, coordinating, and updating Agency guidance and regulations pertaining to audit programming and scheduling.
- Establishing and coordinating annual auditor-day target allocations.
- Maintaining and issuing the quarterly Schedule of Audits.
- Coordinating audit plans with the General Accounting Office, DOD Inspector General, DA Inspector General and other audit, inspection, and investigative organizations to reduce duplication of efforts.
- Coordinating and providing data to program directors for use in developing audit plans.
- Assisting in designing computer applications for the Agency's information management system.
- Obtaining reports from the Agency's information management system through retrieval programs. Provides audit status, analyses and other data periodically to activity chiefs and program directors.

- Preparing and submitting to DOD periodic reports covering Agency resources, audit workload, accomplishments, and significant problem areas or actions deserving attention of higher authority.
- Preparing the Agency input for the Semiannual Report to Congress as required by The Inspector General Act of 1978 (P.L. 95-452), as amended.

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Staffing of Audits

Functions. Selects and assigns auditors and support personnel to all approved and programmed audits and consulting engagements. This entails:

- Determining the grade levels required for the specific assignments.
- Assigning personnel to audits minimizing geographic dispersion of Agency worldwide workload.
- Coordinating with functional experts to identify need for specialized training, selecting attendees, and ensuring that these individuals are assigned to audits requiring this training.
- Reviewing audit objectives and matches auditor skills/knowledge with skills/knowledge required for assignments to be staffed.
- Recommending adjustments to staffing based on audit needs and availability.
- Setting timeframes for audit completion based upon input from functional expert and knowledge of skill/experience levels of assigned staff.
- Managing auditor preferences (type of assignment, geographic travel locations, etc.)
- Monitoring assignments of managing auditors to ensure an equitable distribution of workload with full consideration of the managing auditor's other workload.

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Reports Control and Distribution

Functions. Controls the central files of Agency audit reports and release of reports in response to requests received. Monitors the processing of audit reports and the subsequent command reply process. Prepares reports on Agency operations required by management or outside activities. Reports Control and Distribution includes:

- Maintaining central database on final reports in process and the recording of reports issued.
- Receiving copies of Agency audit reports prior to release, controlling and maintaining the central files of issued Agency audit reports, including command replies, Agency responses and related documents.
- Maintains statistics on agreement or disagreement with recommendations, and closeout of the command reply process. Preparing periodic reports on the status of the command reply process.
- Preparing recurring and special reports on audit report production and the status of audit reports in process.
- Act as the central control, contact and distribution point for copies of requested Agency audit reports; prepares correspondence to release reports; coordinates with the Office of Counsel requests made under the Freedom of Information Act.
- Monitoring the reporting of potential monetary benefits from audit and accumulate necessary

information for reporting requirements.

- Maintaining the official files and serve as the focal point for receipt and distribution of General Accounting Office, DOD Inspector General and DA Inspector General reports, listings of reports, programs and notices of audit.
- Acting as point of contact for requests for statistical information pertaining to audit reports, contents and monetary benefits.

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Staff and Career Management

Functions. Supervises and formulates objectives, plans, and policies for the Agency's Career Management Program. Operates the Agency manpower program. Executes the Agency's position and strength management activities, and plans, coordinates, and executes career management for the Agency's auditors, other professionals, and administrative personnel. The Staff and Career Management Office will:

- Operate and coordinate career program elements including career patterns, annual intake, career appraisal, and central inventory and referral. Collect and maintain data on geographical assignment availability of Agency auditors.
- Supervise the Agency's position management to include maintaining the Agency's Table of Distribution and Allowances, allocating personnel grades and spaces to Agency activities, performing or coordinating manpower surveys, and coordinating the overseas assignment program.
- Establish and maintain control to ensure that manning levels and strength are in agreement with approved authorizations. Defend and support Agency manpower resources when space allocations are subject to review.
- Manage the Agency auditor recruitment program.
- Coordinate assignments/reassignments within the Agency.
- Conduct analyses of functional alignments, related staffing, and allocation of spaces. Prepare reports resulting from analyses and reviews.
- Perform analyses of personnel use at all levels and locations. Maintain and monitor the Agency's workyear allocation and usage.
- Administer the Agency's performance appraisal process to include maintenance of centrally-developed performance standards and centralized collection and processing of general performance and Career Program referral packages.
- Monitor and process referral lists and participate in conducting promotion panels.
- Provide centralized management of the Agency's incentive awards program, to include monitoring budgetary ceilings. Monitor Agency Affirmative Action Program on a continuing basis to ensure that established goals and objectives were met.
- Assisting the Agency Career Program Manager in exercising the authorities and responsibilities for managing Career Programs throughout the Agency.
- Chairing the functional users group for the personnel module of the Agency Information Management System. Ensuring that the group (i) identifies functional requirements, (ii) establishes

priorities, (iii) monitors Agency progress in implementing identified requirements, and (iv) recommends operating policies and procedures.

- Prepare and coordinate Agency policy, directives, and guidance documents in assigned areas of responsibility.
- Provide assistance to all employees in the area of payroll and benefits issues.

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Budget Office

Functions. Recommends Agency policies and procedures for Agency budget formulation, execution and review; and designs, implements, reviews and refines the Agency's overall internal accounting procedures. The Budget Office will:

- Review and analyze budget estimates submitted by Agency elements.
- Review status of funds Agencywide, and determine adjustments required in the approved operating budget, obligation authorities, and fund limitations.
- Issue obligation targets to Agency elements for approved expenditures, and prepare letters to civilian payroll offices authorizing expenditures of funds for payroll costs.
- Monitors obligations for current and prior fiscal years to ensure timely liquidation.
- Maintain continuous liaison with the finance and accounting offices providing accounting, disbursing, voucher examining and payroll functions for the Agency.
- Initiate reimbursement collection actions for services performed for others.
- Prepare recurring and one-time fund utilization, financial management, accounting, and fiscal reports. Receives automated accounting reports and perform basic review and analysis of the Agency's financial position.
- Recommend and advise on broad travel and transportation policy for the Agency.

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Support Services

Functions. Provides support services to include: supply and equipment services, space allocation, facilities and safety management, FAX and mail services, publications, records management, reproduction services, physical security, property and equipment accountability and maintenance. Support Services will:

- Serve as Accountable Property Officer and maintains the property book.
- Process procurement requests for all supplies and equipment needed to support the Agency operations and, when necessary, Agencywide ADP operations.
- Provide supply and equipment services, and space allocation and facilities management.
- Prepare diagrams and supporting justification for all construction, alterations, modifications, repairs and require- ments for new office space.
- Coordinate physical movements, modifications, alter- ations, or repairs of all Agency office space.
- Monitor utility and custodial services and, as needed, arrange for maintenance, repair and cleanup.

- Serve as the Telephone Control Officer, Postal Officer, Publications and Reproduction Control Officer, and Safety and Security Control Officer.
- Coordinate requirements and requisitions, and provide for the installation and maintenance of communication and computer equipment.
- Provide for and monitor the maintenance and repair of all office equipment.
- Manage the receipt, review and distribution of incoming and outgoing mail.
- Monitor physically secured facilities within each Agency element for the safeguarding and storage of classified material.
- Serve as Fund Control Manager for automatic data processing and other commercial accounts.
- Serve as Records Manager for records, forms, regulations, directives, and publications.
- Administer and control printing services for the Agency.
- Provide Agencywide publications and forms management services.
- Provide administrative, logistical, and contractual support for Agency training seminars and schools.

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Program Director, Policy, Followup and Training

Functions. Serves as focal point on all matters relating to audit policy and standards. Responsible for the professional development and training of Agency personnel. Provides liaison between DA functional elements, internal review offices, external audit agencies, DOD Inspector General elements, and the Agency regarding audit matters. Provides staff direction over the command-reply process on Agency audit reports, and identifies significant audit recommendations for performance of followup reviews. The Program Director, Policy, Followup and Training also:

- Develops and establishes policies, procedures and systems used to manage the audit compliance and followup programs.
- Keeps Army leadership aware of audits of Army activities undertaken by external audit organizations.
- Initiates actions to comply with requirements established by Congress, OMB, and DOD pertaining to internal and external audit followup.
- Directs the development and execution of a comprehensive audit followup program.
- Represents the Agency in matters related to maintaining and improving professional audit competence.
- Interfacing with Assistant Secretary of the Army (Financial Management and Comptroller) regarding guidance for the internal review function; serves as a member of the Internal Audit Policy Advisory Group and the DA Internal Review Working Group.

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Audit Policy Development

Functions. Participates in developing and implementing Agency audit policy. Reviews Agency audit reports and other publications for consistency and adherence to established policy. Maintains general

examination, evaluation and reporting standards for the Agency that are consistent with the Government Auditing Standards established by the Comptroller General of the United States and with audit policy in the DOD Internal Audit Manual. Audit Policy Development includes:

- Preparing and issuing technical or administrative publications that pertain to the general performance of Agency audits.
- Maintaining audit standards for the Agency that are consistent with Government Auditing Standards established by the Comptroller General of the United States.
- Preparing, revising, and issuing Agency publications that establish policy relating to audit performance.
- Reviewing proposed DA and DOD regulations and publications to determine the impact on Agency audit policy and performance.
- Providing Agency representation on committees and panels engaged in developing or revising audit standards and other criteria related to audit performance. As required, assists DA and DOD in developing regulations or directives that impact on audit standards or policy.

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Training

Functions. Plans, develops, coordinates, and executes the Agency training program. Develops a fully integrated audit training program that addresses internal review, national guard and Army reserve auditor training needs. Also develops a training program to meet the training needs of the enabling staff. Training responsibilities include:

- Formulating, implementing, and monitoring formal training programs including on-the-job training.
- Developing, planning, coordinating, and conducting Agency schools, courses, and seminars for the Agency's audit staff and Army internal review personnel. Selecting subject matter, developing agendas, selecting and training instructors, and establishing qualification criteria for attending Agency's schools. Developing the programs of instruction for Agency schools and preparing instructional material.
- Participating on DOD working groups and task forces.
- Coordinating with DA and DOD educational activities, other government agencies, civilian educational institutions, and commercial organizations to devise suitable training courses and to improve the professional competence of the audit and administrative staff in technical and managerial areas.
- Formulating and implementing programs for development of the staff to meet continuing professional education requirements, planning and monitoring career assignments, sponsoring and encouraging professional activities, and promoting and fostering improvements in the professional competence of the staff.
- Providing assistance to Agency personnel participating in professional activities, seminars, symposiums, or conferences sponsored by professional organizations such as the Association of Government Accountants, American Institute of Certified Public Accountants, American Society of Military Comptrollers, Certified Fraud Examiners, Institute of Internal Auditors, and their state and local suborganizations.

- Representing the Agency before other DA, DOD and governmental audit activities in matters related to maintaining and improving professional audit competence.
- Meeting with professional audit organizations and associations, colleges and universities, and state boards to exchange information on professional developments in the audit field.
- Developing detailed and summary budgetary proposals for auditor training.

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Internal Liaison

Functions. Provides liaison between DA functional elements, internal review offices, and the USAAA.

- Establish and maintain records for official command-reply process on USAAA audit reports.
- Maintains data base on status of all USAAA audit report recommendations and potential monetary benefits.
- Conducts mediation meetings between USAAA and DA officials; refers actions that cannot be resolved to adjudication.
- Tracks implementation of actions taken on USAAA audit report recommendations, and status of agreed upon potential or achieved monetary benefits.
- Prepares semiannual followup status report for submission to the DOD Inspector General.

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External Liaison

Functions. Maintains liaison with external audit agencies and monitors the preparation of replies to reports prepared by other organizations on DA activities .

- Maintains a data base on status of all GAO and DODIG audits within DA.
- Tasks DA officials to designate action officers to monitor GAO and DODIG audits to include developing and coordinating DA position on recommendations.
- Directs distribution of draft and final GAO and DODIG reports and tasks appropriate DA principal officials and major commands to prepare responses to the reports.
- Conducts mediation meetings between DA officials and audit agencies as appropriate.

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Followup

Functions. Performs followup of significant audit recommendations.

- Schedules and visits DA principals, commands and installations on a selective basis to verify adequacy of followup programs.
- Identifies significant recommendations, schedules and performs followup reviews.
- Follows up on recommendations and assesses adequacy of actions taken, and determines if potential monetary benefits have been achieved.
- Prepares and issues reports on followup reviews performed.

Program Director, Program and Audit Support

Functions. Provides automation and technical audit support to the Agency. Plans, operates and maintains information management resources. Develops and maintains standard Agency information management systems. Keeps abreast of advanced audit techniques, and encourages the use of advanced techniques on Agency audits. Supervises the performance of the Agency Quality Assurance program and of the Strategic Planning group. Serves as principal advisor on editorial and written communication policy. The Program Director, Programs and Audit Support also:

- Develops and issues Agency policy on information management resources.
- Provides technical advice and assistance to the Agency in defining information management requirements. Accredits Agency automation equipment.
- Develops and issues Agency policy on advanced audit techniques, and implements programs to encourage and assist auditors in using advanced techniques on audits.
- Develops and issues Agency policy on audit report writing, style and format.
- Performs quality assurance review and evaluations of audit performance within the Agency.
- Participates in Agency schools.

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Technical Support

Functions. Develops policy and assists Agency personnel in the use of scientific and mathematical audit techniques. Reviews the use of statistical sampling on Agency audits. Introduces new techniques to auditors and provides training in scientific audit techniques at Agency schools. Technical Support functions include:

- Acting as the focal point for the Agency regarding scientific and mathematical audit techniques such as: simulation, modeling, statistical sampling, regression analysis, decision analysis, and economic analysis.
- Keeping abreast of technological innovations and advising Agency management of their impact on operations.
- Reviewing and attesting the reliability of statistical sampling in Agency audits. Provides evidence of technical reviews of statistical samples to auditors.
- Maintaining liaison with the academic community, professional organizations, and other DOD and Federal auditors to keep abreast of new scientific audit techniques.
- Conducting training sessions at Agency schools on the use of scientific and mathematical audit techniques on audits.

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Automation Resources

Functions. Develops Agency policy for: automation operations, administration and security; information planning; requirements determination; acquisition; and life-cycle management. Serves as the Agency's point of contact with DA, DOD, and other external organizations concerning information management. Automation Resources includes:

- Acting as the focal point for the Agency regarding planning, budgeting, determining requirements for acquiring, operating, maintaining and securing automation resources.
- Providing a single source of technical supervision and automatic data processing support on a daily basis to Agency employees. Furnishing advice and assistance regarding operations and maintenance of computers and communications. Monitoring the content of automation training and conducting informal training on the use of Agency automation resources.
- Serving as the database administrator of the Agency Information Management System. Providing support for system enhancements and maintenance and specialized queries of the database when requested.
- Monitoring hardware and software problems and ensuring that maintenance requirements are promptly reported. Monitoring system down time and reports on related causes.
- Developing Agency policy on operating, maintaining, securing and administering minicomputers and microcomputers.
- Developing and maintaining hardware configuration standards for the Agency. Reviewing and approving deviations from Agency hardware configuration standards.
- Applying Army guidance to the Agency Information Management Plan, adjusting official status of existing information initiatives, preparing information management plan, and defending the plan with responsible Army officials.
- Planning system upgrades, developing automatic data processing hardware and software requirements, preparing and defending automation requirements to support automation plan.
- Serving as the Agency point of contact with DA, DOD, and other external organizations concerning information management. Responding to requests for information, coordinate policy, keeping abreast of current activity in Army information management, and informing Agency management of changes. Maintaining the Headquarters authorized Defense Data Network user directory. Providing user support and training on communications issues.
- Preparing accreditation packages for Agency automation resources and monitoring systems for changes that affect accreditation.

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Software Support

Functions. Acts as the Agency's technical advisor regarding management information systems, software development and use of application programs. Provides technical advice and assistance to functional users in defining requirements, and develops or acquires applications to satisfy those requirements. Develops application programs with in-house resources, or assists field computer specialists in developing programs to support Agency auditors. Software Support includes:

- Providing descriptions of system outputs, identifies and defines application requirements and develops applications for recurring management reports, to include definition of data elements, validation edits, input and output formats, and selection criteria. Keeps abreast of information management capabilities and initiatives and recommends actions to satisfy needs.
- Designing and developing standardized information management systems that have universal application throughout the Agency. Managing systems development activities for a wide variety of applications in support of administrative operations.

- Developing computer programs in support of Advanced Audit Techniques. Develops ad-hoc programs when urgent requirements justify development of unique programs. Develops standard application software when possible to allow universal application by all auditors.
- Assisting field computer specialists in developing programs, applications, and defining requirements in support of Agency operations.
- Serving as the career manager for Agency computer specialists. Provides technical assistance to Agency managers in tasking and evaluating the performance of computer specialists. Monitors professional development of computer specialists and recommends courses, workshops, and conferences for continuing professional education.
- Providing training and assistance to Agency employees in the use of approved applications software.

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Strategic Planning

Functions. Establishes liaison with the DA Staff and key Army personnel to maintain an awareness of Army plans, programs, goals and policies that may affect Agency audit programs. Provides Agency management with information obtained and advises on actions to be taken. Liaison consists of

- Reviewing, analyzing and disseminating the Army's overall plans and imperatives to Agency management. Provides data to program directors for use in developing audit plans.
- Coordinating long-range audit plans with other oversight organizations to reduce duplication of audit, inspection and investigative efforts.
- Serving as the Agency's point of contact for the Secretary of the Army's Select Committee and its two subcommittees --the Program Budget Committee, and the Strategic Planning Committee.
- Performing special projects, as requested, in areas of research and long-range planning. Acts as point of contact for requests for information concerning long-range audit planning.

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Quality Assurance

Functions. Maintains the Agency's quality assurance program and serves as the focal point for all external reviews of Agency programs. Performs special reviews, evaluations, studies, or analyses of Agency programs as directed. Major duties includes:

- Performing quality assurance reviews and evaluations of audit performance within the Agency.
- Planning, conducting and supervising special management evaluations, studies, and reviews of Agency policies and operations. Presents results of these analyses to key Agency officials.
- Acting as the Agency's point of contact for all audits and quality assurance reviews of Agency programs, and handles all requests for data, records and information.
- Coordinating all external and internal quality assurance reviews to preclude unnecessary duplication.
- Drafting the Agency's response to recommendations from external audit organizations for approval by The Auditor General. Ensures that Agency replies are consistent with established policy and

prepared in a timely manner.

- Followup on the status of corrective actions for all agreed-to recommendations made by external quality assurance review teams. Reviews and reports on the status of all open corrective actions.
- Developing Agency policy with respect to the quality assurance program or specific areas as requested.
- Serving as focal point for the implementation of the Army's management control process within the Agency. Developing and issuing Agency guidance regarding in-house management control evaluations and annual assessment statements.

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Corporate Communications

Functions. Serves as the principal advisor to The Auditor General and the Agency in all matters concerning editorial and written communication policy. Corporate Communications includes:

- Issuing Agency policy on audit report writing, style and format.
- Providing guidance and assistance to the professional staff in writing, grammar, and word usage.
- Performing editorial reviews of audit reports and advisory reports, and of Agency regulations and publications as requested.
- Performing post-issuance reviews of selected audit reports prepared by the Agency's field offices for the purpose of identifying problem areas, and preparing trend information on recurring problems.
- Conducting training sessions at Agency schools and seminars on editorial policy and standards.
- Publishing the Agency's newsletter.
- Preparing and submitting to the Chief of Military History the Agency input to the annual Army Historical Review.
- Developing or gathering statistical data and other information for preparing information papers, talking papers, and briefings to be used by The Auditor General and other Agency executives.\

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ACQUISITION AND FORCE MANAGEMENT AUDITS

Organization. The Office of Acquisition and Force Management Audits division is organized as follows:

Deputy Auditor General, Acquisition and Force Management Audits

Program Director, Acquisition, Research and Development

Program Director, Army Operations, Manpower and Training

Program Director, Intelligence and Security

Program Director, Medical, Morale and Welfare

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Deputy Auditor General, Acquisition and Force Management Audits

Functions. Responsible for managing and advising The Auditor General on all matters concerning the Agency programs for auditing the Army's major functional areas of:

- Acquisition
- Research and Development
- Personnel
- Manpower
- Readiness
- Training
- Reserve Components
- Health Services
- Intelligence
- Security
- Special Programs
- Community and Family Support
- Nonappropriated Funds

Through assigned program directors, coordinates and maintains liaison with Secretariat and Army Staff offices and activities. Within assigned functional area of responsibility, performs functions as set forth in Appendix A.

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Program Director, Acquisition, Research and Development

Functions. Plans, coordinates and provides staff direction for all Agency audits of acquisition, research and development (including testing, laboratories, product improvement), manufacturing activities). Maintains liaison with DA elements in consonance with areas of responsibility:

Deputy Under Secretary of the Army (Operations Research)

Assistant Secretary of the Army (Research, Development and Acquisition)

Deputy Chief of Staff for Operations and Plans

Performs the standard functions set forth in Appendix B.

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Program Director, Army Operations, Manpower and Training

Functions. Plans, coordinates and provides staff direction for all Agency audits of unit and individual training, Army operations, readiness, military and civilian personnel management, force development, and military recruitment and retention. Maintains liaison with DA Staff elements in consonance with areas of responsibility:

Assistant Secretary of the Army (Manpower and Reserve Affairs)

Deputy Chief of Staff for Personnel

Deputy Chief of Staff for Operations and Plans

Performs the standard functions set forth in Appendix B.

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Program Director, Intelligence and Security

Functions. Plans, coordinates and provides staff direction for all Agency audits of intelligence and security functions and activities, and special programs. Maintains liaison with DA elements in consonance with area of responsibility:

Deputy Chief of Staff for Intelligence

Chief of Staff

Director of Management

Performs the standard functions set forth in Appendix B.

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Program Director, Medical, Morale and Welfare

Functions. Plans, coordinates and provides staff direction for all Agency audits of health services and community and family support functions and nonappropriated funds. Maintains liaison with DA elements in consonance with area of responsibility:

Assistant Secretary of the Army (Manpower and Reserve Affairs)

The Surgeon General

Assistant Chief of Staff for Installation Management

Performs the standard functions set forth in Appendix B.

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FINANCIAL AUDITS

Organization. The Office of Financial Audits is organized as follows:

Deputy Auditor General, Financial Audits

Program Director, Corps of Engineers and Civil Works

Program Director, Defense Business Operations Fund

Program Director, General Fund

Program Director, Performance Measures, Budget and Costing

Deputy Auditor General, Financial Audits

Functions. Responsible for managing and advising The Auditor General on all matters concerning the Agency programs for auditing the Army's major functional areas of:

- Financial Management
- Management Control Process
- Corps of Engineers and Civil Works
- Information Management
- Communications

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Program Director, Corps of Engineers and Civil Works

Functions. Plans, coordinates and provides staff direction for all Agency audits of the Corps of Engineers and Civil Works. Maintains liaison with DA elements in consonance with areas of responsibility:

Assistant Secretary of the Army (Civil Works)

Assistant Secretary of the Army (Financial Management and Comptroller)

Chief of Engineers

Performs the standard functions set forth in Appendix B.

Program Director, Defense Business Operations Fund

Functions. Plans, coordinates and provides staff direction for all Agency audits of Defense Business Operations Fund (DBOF). Maintains liaison with DA elements in consonance with areas of responsibility:

Assistant Secretary of the Army (Financial Management and Comptroller)

Deputy Chief of Staff for Logistics

Performs the standard functions set forth in Appendix B

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Program Director, General Fund

Functions. Plans, coordinates and provides staff direction for all Agency audits of the Army's General Fund. Maintains liaison with DA elements in consonance with areas of responsibility:

Assistant Secretary of the Army (Financial Management and Comptroller)

Performs the standard functions set forth in Appendix B.

Program Director, Performance Measures, Budget and Costing

Functions. Plans, coordinates and provides staff direction for all Agency audits of financial management (program and budget, accounting systems, travel operations), the customer order program, the Army's management control process, management of information (automation, communications, records management, visual information, printing and publications), and costing/performance measures. Maintains liaison with DA elements in consonance with areas of responsibility:

Assistant Secretary of the Army (Financial Management and Comptroller)

Director of Information Systems for Command, Control, Communications and Computers

Performs the standard functions set forth in Appendix B.

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LOGISTICAL AUDITS

Organization. The Office of Logistical Audits is organized as follows:

Deputy Auditor General, Logistical Audits

Program Director, Base Operations

Program Director, Environment, Safety and Chemical

Program Director, Real Property and Base Realignment

Program Director, Wholesale and Retail Logistics

Program Director, European Theater

Program Director, Pacific Theater

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Deputy Auditor General, Logistical Audits

Functions. Responsible for managing and advising The Auditor General on all matters concerning the Agency programs for auditing the Army's major functional areas of:

- Logistical Resources
- Troop Support
- Transportation
- Supply Management
- Maintenance
- Troop and Family Housing
- Environmental and Safety

Through assigned program directors, coordinates and maintains liaison with Secretariat and Army Staff offices and activities. Within assigned functional area of responsibility, performs functions as set forth in Appendix A.

Program Director, Base Operations

Functions. Plans, coordinates and provides staff direction for all Agency audits of base operations, facilities engineer, troop and family housing. Maintains liaison with DA elements in consonance with areas of responsibility:

Assistant Secretary of the Army (Installations, Logistics and Environment)

Chief of Engineers

Deputy Chief of Staff for Logistics

Assistant Chief of Staff for Installation Management

Performs the standard functions set forth in Appendix B.

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Program Director, Environment, Safety and Chemical

Functions. Plans, coordinates and provides staff direction for all Agency audits of environmental, safety, and chemical activities. Maintains liaison with DA elements in consonance with area of responsibility:

Assistant Secretary of the Army (Installations, Logistics and Environment)

Deputy Assistant Secretary of the Army for Environmental Safety and Occupational Health

Deputy Chief of Staff for Logistics

Performs the standard functions set forth in Appendix B.

Program Director, Real Property and Base Realignment

Functions. Plans, coordinates and provides staff direction for all Agency audits of real estate, and base closure and realignment actions. Maintains liaison with DA elements in consonance with areas of responsibility:

Assistant Secretary of the Army (Installations, Logistics and Environment)

Chief of Engineers

Assistant Chief of Staff for Installation Management

Director of Management

Performs the standard functions set forth in Appendix B.

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Program Director, Wholesale and Retail Logistics

Functions. Plans, coordinates, and provides staff direction for all Agency audits of supply (wholesale, intermediate and user levels), maintenance (all levels), troop support, and transportation. Maintains liaison with DA elements in consonance with areas of responsibility:

Assistant Secretary of the Army (Installations, Logistics and Environment)

Deputy Chief of Staff for Logistics

Performs the standard functions set forth in Appendix B.

Program Director, European Theater

Functions. Plans, coordinates and provides staff direction for all Agency audits performed in the European theater. Responsible for the management functions of the Agency's European field office. Maintains liaison with DA elements in consonance with areas of responsibility:

Commander-in-Chief, U.S. Army, Europe and Seventh Army

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Program Director, Pacific Theater

Functions. Plans, coordinates and provides staff direction for all Agency audits performed in the Pacific theater. Responsible for the management functions of the Agency's Pacific field office. Maintains liaison with DA elements in consonance with areas of responsibility:

Commander, Eighth U.S. Army

Commander, U.S. Army, Pacific

FOR THE AUDITOR GENERAL

LARRY R. SILER
Acting Deputy Auditor General
Policy and Operations Management

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APPENDIX A

Functions of Deputy Auditors General Responsible for Audit

Within assigned area of functional responsibility, deputy auditors general are responsible for:

- Developing plans for the selection, overall management, and accomplishment of audits, establishing program guidance to be followed in scheduling audits by functional program, and determining the type of audit to be accomplished (single or multilocation).
- Evaluating and executing Agency personnel policies and procedures, and identifying resources needed to accomplish the Agency's mission effectively and use available resources efficiently.
- Providing staff supervision or direction of audit research studies, workload surveys, audit surveys,

circulars, execution, reports, and the release of reports.

- Coordinating audit plans, findings and reports with DA Staff agencies/elements and major commands. Briefing key officials of DA Staff agencies/elements on audit plans, progress, and results of audits.
- Coordinating with the audit element of the DOD Inspector General, DA Inspector General, General Accounting Office, and other Federal internal audit organizations.
- Providing advisory audit service to commanders including representation on committees, boards, and task forces.
- Approves the release of final audit reports as set forth in USAAA Regulation 1-1, Delegation of Signature Authority.
- Identifying significant reports or portions thereof to be brought to the attention of Agency and DA managers. Identifying topics suitable for trend and advisory reporting and directing the issuance of such reports.
- Taking final Agency action on Army command replies to audit reports and Army position statements on all audits under the responsibility of the directorate.
- Representing the Agency at inter- and intra-departmental conferences, and conferences with key officials of DOD, DA, General Accounting Office and other government agencies, professional organizations, and private industry regarding audit service and accomplishment.
- Approving workshops and conferences.
- Maintaining internal management controls within the directorate.
- Maintaining control over travel funds and monitoring the professional development of assigned staff.

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APPENDIX B

Functions of Program Directors

Responsible for Audits

Each program director is responsible for:

- Maintaining a day-to-day working relationship with key officials of DA elements within areas of audit responsibility, and ascertaining where audit services can be most beneficial to the Army. Coordinating audit plans, findings, and reports with assigned DA Staff elements; briefing key officials on audit plans, progress, and results; and participating in meetings at the Secretariat level.
- Identifying those installations and activities subject to audit, and establishing estimated auditor-day requirements to accomplish the audit workload. Determining areas and activities for potential audit coverage in the periodic audit planning and scheduling process, and selecting those having greatest need for audit.
- Maintaining staff direction over audit performance at audit sites, including coordination of audit approaches, and circulars, audit operating schedules, and on-site review of audit performance.
- Planning the performance of approved multilocation audits, to include developing audit scope,

objectives, time-phasing, resource requirements, and audit coverage desired. Initiating and coordinating pre-audit technical survey work at DA Staff offices and pertinent commands.

- Reviewing audit reports for compliance with the audit- by-objectives concept and other prescribed audit policies, appropriateness of findings, and consistency of recommendations with Agency guidance, and recommending reports for release. Identifying significant reports to be brought to the attention of Agency and DA management officials.
- Taking final Agency action on command replies to audit reports submitted in accordance with AR 36-2. Conducting analyses, resolving differences, and preparing responses with respect to nonconcurrences.
- Recommending areas or subjects for summary or advisory reports to the DA Staff and to Army commanders.
- Developing and updating audit regulations which provide audit guidance for assigned areas of responsibility.
- Providing advisory audit service to commanders including representation on committees, boards and task forces.

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- Representing the Agency in dealing with DA Staff offices, DOD, General Accounting Office, and other government and industry officials regarding audit matters in assigned program area.
- Conducting liaison and coordinating with Secretariat offices, Army Staff and activities to ensure they are fully aware of audit plans, status, reports and information provided to organizations outside DOD.
- Providing leadership, technical expertise and staff development to balance audit production and professional development of the audit staff.

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APPENDIX C

USAAA FIELD OFFICES

The assignment of auditor personnel to certain installations, activities and geographical areas is necessary to provide more efficient and effective audit service to DA commands and organizations.

1. **GENERAL**

The purpose of a field office is to provide audit coverage within a designated geographical area in the most effective and economical manner, with a minimum of travel and per diem costs. The field offices will operate in a manner that ensures concentration of audit coverage in those areas in need of improvement or that are highly susceptible to fraud, waste, or mismanagement. The audit requirements identified through workload analyses, in conjunction with the priorities of the Army, should be the basis for proposing audits at field office locations.

- Field offices should be located in areas where there is a significant concentration of high priority audit work. The objective is to position the staff to accomplish the audit mission while reducing travel and associated travel costs.

- The staffing of a field office will be subject to the approval of The Auditor General, after considering the Agency's overall audit workload and the personnel resources available.
- To the extent possible, the assigned staff will perform assist audit work requested by auditors at other audit locations.
- Managing auditors are normally assigned responsibility for the day-to-day operations of the field office.
- As the Agency's priorities change, personnel assigned to a field office should expect temporary duty assignments at other audit sites.

The establishment or discontinuance of a field office is subject to the approval of The Auditor General

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2. FIELD OFFICE OPERATIONS

Field offices are usually located at a major installation or activity whose operations influence and frequently impact significantly on operations at other Army elements and locations. Accordingly, a portion of the effort at a field office will be devoted to performing assist audits for auditors at other sites and commands.

Scheduling and programming audits is a coordinated effort between the Headquarters program directors and field office managers. In formulating the audit program, consideration must be given to programming the workload of field offices giving consideration to audit cycles and the relative priorities of the missions and resources of all activities within the Agency.

3. COMMAND RELATIONS

It is important that field office personnel be kept informed of significant actions pertaining to the installations and activities for which the field office has audit responsibility. These actions include changes in mission, functions, organization, or resources, as well as problems being encountered by the activity. Periodic liaison meetings with command will assist in accomplishing this. The command should be requested to designate a liaison representative to the audit staff for routine audit matters.

Periodic meetings should also be held with command personnel to inform them of areas scheduled to be audited and to discuss current audits in progress. The meetings should include the commanders as well as the command personnel who have an interest in the ongoing and scheduled audits.

Commanders should always be informed of audit results that may be used in multilocation or special audits when a local report is not issued. Care must be taken to ensure that audit results or information are not included in a report to another commander without the knowledge of the commander where the work was performed.

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DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA Regulation Number 27-1 **23 February 1997**

Office of Counsel

PROCEDURES FOR REQUESTING LEGAL OPINIONS FROM AND COORDINATING WITH THE OFFICE OF COUNSEL, U.S ARMY AUDIT AGENCY (USAAA)

- Purpose
- When to Contact the Office of Counsel
- How to Request a Legal Opinion or Coordinate with the Office of Counsel
- When and How to Coordinate with the U.S. Army Criminal Investigation Command
- APPENDIX A -- Request Form for Legal Opinion
- APPENDIX B -- Memorandum of Understanding Between the U.S. Army Audit Agency and the U.S. Army Criminal Investigation Command

1. PURPOSE. This regulation sets forth the occasions when Agency personnel should contact the Office of Counsel and the procedures which are applicable to those contacts. This regulation also provides guidance on the procedures which are to be followed by Agency personnel in coordinating with the United States Army Criminal Investigation Command (USACIDC).

2. WHEN TO CONTACT THE OFFICE OF COUNSEL. Agency personnel shall contact the Office of Counsel in the following circumstances:

a. When interpretations of laws (including statutes and legislative history) and regulations referred to in audit reports, engagement products, personnel and policy decisions and other actions and activities of the Agency are needed (authority: Comptroller General of the United States, Government Auditing Standards, 1994). This includes the application and interpretation of law by judicial and administrative bodies.

b. When the Agency is dealing with an apparent violation of the Anti-deficiency Act. This should take place as soon as the potential violation has been discovered or when the engagement is requested.

c. When Agency personnel are dealing with ethical or Standards of Conduct issues (authority: Joint Ethics Regulation, DoD Directive 5500.7R) regarding matters such as, but not limited to, the following:

(1) the submission of SF 450s (Executive Branch Confidential Financial Disclosure Report) and SF 278s (Executive Branch Public Financial Disclosure Report);

(2) official government travel and benefits;

(3) outside employment;

(4) post government employment;

(5) participation in private organizations;

(6) permanent change of station (PCS) moves;

(7) conflicts of interests;

(8) standards of conduct; and

(9) use of government credit cards.

d. Whenever personnel management specialists require assistance in dealing with employee grievances, complaints, or adverse actions.

e. Whenever Agency activities involve the Criminal Investigation Command, U.S. Attorney's offices, local Staff Judge Advocate offices, or any other law enforcement agency. This includes all cases in which the Agency is addressing waste, fraud, or mismanagement issues, hotline complaints, and any indications of illegal acts discovered during any Agency activity, engagement, or audit. In appropriate cases, the Office of Counsel will assign an Investigative Referral Number in order to track referrals to a criminal investigation organization.

f. Whenever Agency personnel are dealing with public affairs/public relations matters such as a request for documents (i.e., Freedom of Information Act or Privacy Act requests) or a request for oral information (i.e., a request for an interview) made by any person or organization outside the Federal Government. (Note: Although the Office of Counsel will coordinate with the primary Public Affairs Offices affected by the release of information, Program Directors will remain responsible for notifying all interested Department of Army Secretariats or Staff Offices.)

g. Whenever claims by Agency personnel or others for, or against, the U.S. Government submitted under AR 27-20, the Joint Travel Regulations, or any matter or claim subject to administrative review or appeal outside the Agency are submitted. (This includes claims for losses occurred while on Temporary Duty (TDY) as well as other types of claims.)

h. Whenever any circumstance which may lead to the naming of any U.S. Government officer, agent or employee, the Agency, the U.S. Army, or the U.S. Government as a party to a claim or lawsuit becomes known to Agency personnel.

i. Whenever auditors receive an oral or written legal opinion from a legal advisor outside of the Office of Counsel.

3. HOW TO REQUEST A LEGAL OPINION OR COORDINATE WITH THE OFFICE OF COUNSEL. The following general provisions shall be followed by Agency personnel when requesting a legal opinion or coordinating with the Office of Counsel IAW paragraph 2 above:

a. Requests for legal opinions shall normally be in writing using the form attached to this regulation at Appendix A which may be supplemented with a written memorandum if more space is required by the requester.

(1) The written requests will set forth, in as much detail as possible, the issues to be addressed by the Office of Counsel.

(2) Questions requiring legal research and/or a legal opinion should be sent to the Office of Counsel at the earliest possible date to ensure sufficient time to adequately consider the question and write a legal opinion. The use of electronic methods of communication is encouraged to improve the speed of services. The facsimile (FAX) number at the Office of Counsel is CIV (703) 681-9860/DSN 761-9860. The e-mail addresses of the attorneys in the Office of Counsel are guinanb@aaa.army.mil, oconnorr@aaa.army.mil, gallaghd@aaa.army.mil, and simsm@aaa.army.mil.

(3) The completed written request should be routed through the appropriate PD. Where short timeframes make it necessary, the request can be sent to the Office of Counsel directly, but the PD also should be furnished a copy at the same time.

b. Where the need for guidance on a legal issue is extremely urgent, Agency personnel may contact the

Office of Counsel directly at CIV (703) 681-9804/DSN 761-9804. Agency personnel should keep their audit supervisory chain informed of such requests.

c. When it is necessary, in the opinion of the Counsel, a Program Director, or a Field Office Manager, for the Office of Counsel to provide on-site legal guidance, the Counsel, or member of the legal staff, will, if practicable, travel to the audit location or other appropriate location for the purpose of providing legal advice or representation. Requests for such advice or representation must be made at the earliest possible date in order to ensure the availability of a representative of the Office of Counsel.

4. WHEN AND HOW TO COORDINATE WITH THE U.S. ARMY CRIMINAL INVESTIGATION COMMAND. The procedures set forth in the Memorandum of Understanding Between the U.S. Army Audit Agency and the U.S. Army Criminal Investigation Command at Appendix B are to be followed by all Agency personnel in coordinating with the USACIDC.

FOR THE AUDITOR GENERAL:

WILLIAM J. GUINAN
Counsel

DISTRIBUTION: All Agency Personnel via the USAAA Electronic Library and USAAA Intranet

THE PROPONENT OF THIS PUBLICATION IS THE OFFICE OF COUNSEL. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-GC OR VIA E-MAIL AT (guinanb@aaa.army.mil)

APPENDIX B

MEMORANDUM OF UNDERSTANDING BETWEEN THE U.S. ARMY AUDIT AGENCY AND THE U.S. ARMY CRIMINAL INVESTIGATION COMMAND

*** The aforementioned memorandum of understanding has not yet been signed at the time of the publication of AAA Regulation 27-1. As soon as it is signed it will be published. In the meantime, please contact the Office of Counsel whenever you have contact with USACIDC or have any questions regarding the relationship of USAAA to USACIDC.***

DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION NO. 36-1 **20 MAY 1998**

Audit

THE ARMY'S MANAGEMENT CONTROL PROCESS

Purpose

Applicability

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1. PURPOSE. This regulation prescribes the policy and procedures auditors should follow to support the Army's Management Control Process.

2. APPLICABILITY. The policies and procedures contained in this regulation apply to U.S. Army Audit Agency audits (appropriated and nonappropriated funds). Program Directors may make exceptions when the scope of the audit is so narrowly defined that the application of the procedures would be meaningless and a waste of auditor resources.

3. REFERENCES. A list of related publications is at Appendix A.

*This regulation supersedes USAAA Regulation 36-1, dated 2 July 1990.

4. DEFINITIONS. Definitions for some of the key terms applicable to the Army's Management Control Process follow: (AR 11-2 contains a complete list of terms).

a. Key Management Controls. Essential management controls are those controls that managers must implement and sustain in daily operations to ensure organizational effectiveness and compliance with legal requirements. Headquarters, DA (HQDA) functional proponents identify the key management controls in their governing Army regulations and establish the baseline requirement for assessable unit managers to conduct management control evaluations.

b. **HQDA Functional Proponent.** The HQDA functional proponent is the principal responsible for policy and oversight of a particular functional area. This responsibility includes identifying the key management controls.

c. Material Weakness. A material weakness must satisfy these two conditions:

Management controls, or compliance with them, don't provide reasonable assurance that management control objectives are being met (that is, management controls are not in place, are in place but are not adequate, or are in place/adequate but are not used).

Circumstances warrant the attention of the next level of command (that is, requires their action or awareness).

Appendix B shows a list of other factors to consider in determining materiality.

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5. BACKGROUND

a. The Federal Managers' Financial Integrity Act of 1982. This act (Public Law 97-255) requires each executive agency to establish internal accounting and administrative controls in accordance with standards that the Comptroller General of the United States prescribes. The controls must give management reasonable assurance that:

Obligations and costs comply with applicable law.

Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.

Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial statistical reports and to maintain accountability for assets.

b. Office of Management and Budget Circular A-123. This circular, entitled "Management Accountability and Control," contains the policy, guidance, and standards for use by executive departments and agencies in evaluating, improving, and reporting on internal accounting and administrative control systems.

c. General Accounting Office Standards for Internal Controls in the Federal Government. This publication identifies the 12 internal control standards that Federal managers are required to follow. The standards are listed in Appendix C.

d. DOD Directive 5010.38. This directive, entitled, "Management Control Program," establishes the DOD process for management controls. The directive provides policy, prescribes procedures, and assigns responsibility for the process.

e. AR 11-2. This regulation, entitled "Management Control," prescribes the policy and contains guidance for the establishment, surveillance, and execution of the Army's Management Control Process. The regulation focuses required evaluations on key management controls identified by HQDA functional proponents in governing regulations. The regulation recognizes that the cost of management controls shouldn't exceed the benefits. AR 11-2 requires, in part, that the U.S. Army Audit Agency:

> During the normal course of audits, evaluate the effectiveness of management controls, the adequacy of management control evaluations, and the adequacy of actions taken to correct material weaknesses.
>
> Coordinate with HQDA functional proponents to determine key management controls and advise them about developing Management Control Evaluation Checklists.
>
> Identify proposed Army-level material weaknesses and provide these to HQDA functional proponents and the Office of the Assistant Secretary of the Army (Financial Management and Comptroller) (OASA(FM&C)) for possible reporting in the Secretary of the Army's annual statement.
>
> Prepare and submit an annual statement to the Secretary of the Army assessing the Army's implementation of the management control process.

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6. POLICY

a. Each audit should determine whether the governing Army regulations applicable to the audited function adequately identify the key management

controls. Multilocation audits should address the key management controls only in the summary report. But multilocation site reports should include, in the Audit Scope and Methodology section, a statement to indicate that the key management control objective will be addressed in the multilocation summary report. The key management control objective should state:

Did the Army regulation that prescribes policy for (audit subject) adequately identify the key management controls?

This objective is consistent with the Army's philosophy to focus on key management controls. HQDA functional proponents identify the key management controls in the appendixes to their regulations. Agency Program Directors should coordinate recommendations on management controls with HQDA functional proponents and the management control staff in the Office of the Assistant Secretary of the Army (Financial Management and Comptroller).

b. Program Directors should consider each proposed audit's potential for identifying an Army-level material weakness during the planning process. They should give those audits with a high potential scheduling priority. During the audit, the audit team should either confirm or deny the existence of an Army-level material weakness.

c. Auditors will not report a management control problem that command has already reported as a material weaknesses, unless the scope of the weakness or its corrective actions are inadequate. The Agency's intent is to encourage commanders to identify material weaknesses and initiate corrective action. If command has taken timely and effective action to report and correct management control problems, the audit report will reflect this in positive terms. The intent is not for audit reports to be silent on the subject of management controls, but rather to give command full credit for the good work its done to detect, report, and correct management control problems.

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7. RESPONSIBILITIES

a. Deputy Auditor General, Financial Audits. The Deputy Auditor General, Financial Audits is responsible for establishing Agency policy concerning the Army's Management Control Process.

b. Deputy Auditors General for Audit. Deputy Auditors General for Audit will select Army-level material weaknesses from the candidates submitted by the Program Directors, and submit these weaknesses to the HQDA Senior Level Steering Group.

c. Program Director, Performance Measures, Budget and Costing. The

Program Director, Performance Measures, Budget and Costing is responsible for planning, coordinating, and providing staff direction for the annual review of the Army's Management Control Process. The Program Director also maintains liaison with the proponent for the Army's Management Control Process at the Office of the Assistant Secretary of the Army (Financial Management and Comptroller).

d. Program Directors. Program Directors for the operating directorates are responsible for:

Considering each proposed audit's potential to identify Army–level material weaknesses as one of the major criteria for scheduling.

Including an objective for each audit (exceptions include multilocation site and consulting efforts) to determine whether applicable Army regulations adequately identify the key management controls.

Authorizing exceptions to applying the standard management control audit objective.

Contacting the HQDA functional proponent as soon as the audits identify a potential Army material weakness.

Coordinating recommendations on key management controls with the HQDA functional proponent and the HQDA management control staff.

Providing a list of potential Army-level material weakness candidates to the Deputy Auditors General for their evaluation and possible submission to the mid-year meeting of the Senior Level Steering Group.

Validating, upon request from the applicable HQDA functional proponent, or the HQDA management control staff, whether Army-level material weaknesses scheduled for closure were corrected.

Reviewing draft Army regulations in their area of functional responsibility and determining whether the HQDA functional proponents adequately identified the key management controls.

e. Level-2 Supervisors. Level-2 Supervisors are responsible for making sure:

(1) Audit programs answering the management control objective contain the steps necessary to determine:

If problems identified in audit areas should be

reported as material weaknesses.

The key management controls.

(2) Audit teams don't report management control problems that command already reported as a material weakness, unless the scope of the weakness or its corrective actions are inadequate.

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8. PROCEDURES. Program Directors should make sure each audit has a management control objective. During each audit, auditors should evaluate the activity's management controls to make sure they are in place and operating. When a management control meets the definition of a key control, the auditor should determine if the proponent has identified the management control as a key management control in the regulation.

a. AR 11-2 requires DA functional proponents to determine if key management controls are appropriate to a functional area. Starting in FY 95, DA required the proponents of Army regulations to include one of the following statements on the title page.

Army management control process. This regulation contains management control provisions, but does not identify key management controls that must be evaluated.

Army management control process. This regulation contains management control provisions and identifies key management controls that must be evaluated.

Army management control process. This regulation does not contain management control provisions.

If key controls are identified, they should be listed in an appendix to the regulation governing the area. Key controls are listed in an appendix because they are required to be evaluated. Note that in some instances, the proponent has distributed key management controls to the field pending publication of a new regulation.

b. Auditors have the following options for answering the management control objective, "Did the Army regulation that prescribes policy for (audit subject) adequately identify the key management controls?"

If key management controls **aren't** listed in an appendix (usually in the form of test questions) and audit work indicates that key controls should be identified, the objective in our reports should be answered, "no." The report should identify and discuss the key controls and include a recommendation to the DA proponent to incorporate the controls in the regulation.

If key management controls **aren't** listed in an appendix (usually in the form of test questions) and audit work indicates that key controls **aren't** required, the objective in our reports should be answered, "The regulation doesn't require key controls." The answer should include an explanation that our audit work found the risk of fraud, waste or abuse was low. Generally, our audits are in areas that require key management controls.

If key controls **are** listed in an appendix, and audit work indicates that key controls **are** adequate, the objective in our reports should be answered, "yes."

If key controls **are** listed in an appendix, and audit work indicates that key controls **aren't** adequate because one or more key controls are missing, the objective in our reports should be answered, "no." The report should contain recommendations to the HQDA proponent to include the missing controls as key controls in the appendix. If the proponent listed key controls and the audit work indicates the controls **aren't** key, the report should contain recommendations to the HQDA proponent to eliminate the controls from the appendix.

c. If auditors make a recommendation concerning management controls, they should contact the appropriate Program Director. The Program Director will coordinate recommendations with the auditors, the regulation's proponent, and the HQDA management control office.

d. Auditors should summarize the results, develop tentative conclusions, and pursue potential control weaknesses through steps in the audit program. They should document conclusions and report results.

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9. THE AUDITOR GENERAL'S ASSESSMENT STATEMENT. The Auditor General furnishes the Secretary of the Army an annual independent assessment of the Army's actions to comply with the requirements of the Federal Managers' Financial Integrity Act of 1982. The Auditor General uses the following to help support the assessment:

Agency-reported Army-level material weaknesses.

Validation that proponents have corrected Army-level material weaknesses.

Audit conclusions on the key management control objective.

Auditors must do sufficient work to support conclusions in these areas. Auditors should not curtail reviews because detailed documentation and other records aren't available for audit. If detailed documentation isn't available, auditors must use discretion and judgment based on an examination of existing documents, ongoing efforts, detailed interviews with responsible officials, and the results of other audit

objectives.

FOR THE DEPUTY AUDITOR GENERAL:

ROBERT L. EMMONS
Program Director
Performance Measures,
Budget and Costing

THE PROPONENT OF THIS REGULATION IS THE OFFICE OF THE DEPUTY AUDITOR GENERAL, FINANCIAL AUDITS. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-FAP.

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APPENDIX A

References

Federal Managers' Financial Integrity Act of 1982.

Office of Management and Budget Circular A-123, Management Accountability and Control, as revised, 21 June 1995.

DOD Directive 5010.38, Management Control Program, 26 August 1996.

AR 11-2, Management Control, 1 August 1994.

General Accounting Office Standards for Internal Control in the Federal Government (Draft, December 1997).

SAAG-FAP Memorandum, SUBJECT: Standard Management Control Objective and Worksheets, 4 November 1996.

OASA(FM&C) Memorandum, SUBJECT: Reporting Material Weaknesses in Management Controls, 6 November 1996.

General Accounting Office Government Auditing Standards, 1994 revision.

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APPENDIX B

Material Weakness Criteria

OTHER FACTORS TO CONSIDER

It is usually clear if a problem involves a management control weakness. It is also usually clear if the next level of command must take corrective action. Whether the next level of command needs to be aware of a management control weakness is a more subjective management judgment. Consideration of the following factors may help in making this management judgment.

Actual or potential loss of resources.

Sensitivity of resources involved.

Magnitude of funds, property, or other resources involved.

Frequency of actual and/or potential loss.

Current or probable media interest (adverse publicity).

Current or probable congressional interest (adverse publicity).

Unreliable information causing unsound management decisions.

Diminished credibility or reputation of Army management.

Impaired fulfillment of essential mission.

Violation of statutory or regulatory requirements.

Impact on information security.

Deprivation of needed government services to the public.

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APPENDIX C

General Accounting Office

Internal Control Standards

1. Reasonable Assurance. Internal control systems are to provide reasonable assurance that management's objectives will be accomplished.

2. Supportive Attitude. Managers and employees are to maintain and demonstrate positive and supportive attitudes toward internal controls at all times.

3. Competent Personnel. Managers and employees are to have personal and professional integrity and are to maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal control.

4. Control Objectives. Internal control objectives are to be identified or developed for

each agency activity and are to be logical, applicable, and reasonably complete.

5. Control Techniques. Internal control techniques are to be effective and efficient in accomplishing their internal control objectives.

6. Documentation. Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.

7. Recording of Transactions and Events. Transactions and other significant events are to be promptly recorded and properly classified.

8. Execution of Transactions and Events. Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.

9. Separation of Duties. Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

10. Supervision. Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved.

11. Access to and Accountability for Resources. Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison shall be made of the resources with the recorded accountability to determine if the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset.

12. Prompt Resolution of Audit Findings. Managers are to:

Promptly evaluate findings and recommendations reported by auditors.

Determine proper actions in response to audit findings and recommendations.

Complete, within established timeframes, all actions that correct or otherwise resolve the matters brought to management's attention.

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APPENDIX D

Sample Negative Conclusion

OBJECTIVE

Did the Army regulation that prescribed procedures for debt avoidance adequately identify the key management controls?

CONCLUSION

No, AR 600-8-101 (Personnel Processing (In- and Out- and Mobilization Processing)) didn't adequately identify the key management controls. The body of the regulation contained the correct management controls for debt avoidance. At least two of these management controls should be identified as key controls and included in an appendix to the regulation.

Our detailed discussion on these conditions start on page ... Our recommendation is on page ...

BACKGROUND

AR 11-2 (Management Control) defines key management controls as those absolutely essential management controls that must be implemented and sustained in daily operations to ensure organizational effectiveness and compliance with legal requirements. AR 11-2 required Headquarters, DA functional proponents to identify, when appropriate, key management controls in their regulations. These key management controls form the basis for required management control evaluations.

DISCUSSION

This section discusses one area:

Key Management Controls

AR 600-8-101, the regulation applicable to debt avoidance, didn't identify key management controls. In addition, the regulation incorrectly contained a statement that its management control checklists were contained in DA Circular 600-8-89-1. Before FY 95, the management control process required commands to evaluate the management controls contained in DA Circulars. But AR 11-2, dated 1 October 1994, eliminated the DA Circular checklists and required functional proponents to develop **key** management controls, in appendixes to their Army regulations. These key management controls then would require formal evaluation. AR 11-2 required functional proponents to:

> Determine the key management controls that Army personnel are required to evaluate.
>
> When applicable, include the key management controls in an appendix to the regulation.

AR 11-2 also allowed the functional proponent the option to determine that the regulation doesn't have any key controls.

Our review of AR 600-8-101 showed that the body of the regulation contained the

correct management controls for debt avoidance. We believe at least two of these management controls are key controls and the proponent should include them in an appendix to the regulation. Here are two management controls we believe are key controls:

> Soldiers out-process at the activities identified on DA Forms 137-1-R and 137-2-R or 45 percent of the soldier's final pay is withheld.
>
> Soldiers pay their debts or their unit commander and local finance officer are notified prior to their departure.

These controls are key because they make sure installation personnel identify departing soldiers with debt and collect the debt before the soldiers out-process.

RECOMMENDATION AND COMMENTS

This section contains our specific recommendation and will contain a summary of command comments for the recommendation. Verbatim command comments will be in Annex C.

For the Commander, Camp Swampy

> **Recommendation:** Revise AR 600-8-101 to comply with the requirements of AR 11-2. Specifically:
>
> > Identify the key management controls and include them in an appendix to the regulation.
> >
> > Include this statement on the title page:
> >
> > Army management control process. This regulation contains management control provisions and identifies key management controls that must be evaluated.
>
> **Command Comments**: (To be added later).

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DEPARTMENT OF THE ARMY

OPERATIONS CENTER, UNITED STATES ARMY AUDIT AGENCY

ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION 36-31 **30 June 1995**

Audit

ENTRANCE/EXIT CONFERENCES AND AUDIT ANNOUNCEMENTS

Purpose

Applicability

Policy

Planning for Conferences

Entrance Conferences

Conference Importance

Procedures and Subjects for Discussion

Activity Entrance Conferences

Exit Conferences

Activity Exit Conferences

Formal Exit Conferences

Recording and Reporting Entrance and Exit Conferences

Appendix - Distribution of Information Copies of Audit Announcement Memorandums

1. PURPOSE. This regulation provides general guidance on entrance and exit conferences and audit announcements.

2. APPLICABILITY. The provisions of this regulation apply to all audits performed by the U.S. Army Audit Agency.

3. POLICY

(a) The responsible program director will prepare an audit announcement memorandum for all audits prior to the start of any field work. Distribution of the memorandum will be to the applicable DA Staff element(s), major commands, and to the following audit, inspection and investigative organizations:

(1) Assistant Secretary of the Army (Financial Management and Comptroller)

(2) DA Inspector General

(3) U.S. Army Criminal Investigation Command

(4) Inspector General, Department of Defense

(5) General Accounting Office

The specific activities of each and addresses are contained in the Appendix.

(b) Where an audit will require information from a Defense activity, notification is also to be made to the designated office within DODIG.

(c) Announcements are not required for those audits that will not be subject to the command-reply process, i.e., DMRs, CAs, or other consultant reviews. Announcements should state (i) the purpose and objectives of the audit, (ii) suggestion as to command personnel who should attend, (iii) identify Agency personnel who will attend (if known), and (iv) include a proposed time and place, as well as any other information considered appropriate.

(d) At the start of an audit, an entrance conference will be held between Agency personnel and the activity's commander and other key managers. The primary purpose of the conference is to discuss the objectives and scope of the audit. Similarly, an exit conference will be held at the conclusion of the audit for the purpose of discussing audit results.

(e) The formality and scope of a conference is dictated largely by command's desires and prior contact with the Agency.

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4. PLANNING FOR CONFERENCES

(a) Detailed planning for each conference will be based on such variables as the objective of the conference, familiarity of the command representatives with the mission and operations of the Agency, relative significance of the organization or activity within the Army, position or rank of the commander and Agency representatives attending, significance of the audit, and known desires of the command.

(b) The manner in which a conference is conducted, the scope of the subject matter to be discussed, and the Agency's representation will be determined by the program director.

(c) An effective conference requires a clear and well organized presentation. Advance planning and preparation for the conference is essential; a rehearsal may be desirable to facilitate a smooth, interesting, and effective presentation.

(d) The number of Agency representatives attending a meeting or conference will vary, depending on the audit and activity being audited. This decision will be made by the program director. Agency personnel selected to participate in the conference should be capable of presenting the subject matter and leading the discussion in a manner that will create a favorable relationship for achieving the conference objectives.

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5. ENTRANCE CONFERENCES

(a) Conference Importance. An entrance conference provides an opportunity to inform commanders of the type of audit service the Agency can provide. The conference will be reflected in the commander's instructions to subordinates. A favorable reaction, therefore, should materially contribute to a mutually cooperative effort and a more effective audit.

(b) Procedures and Subjects for Discussion

(1) The agenda for the conference should be structured to the requirements of the specific situation. Consideration should also be given to items and matters discussed during any previous meeting with the commander.

(2) The conference should be flexible to permit expansion, reduction, or other changes as needed. At the entrance conference:

(a) A brief summary of the Agency's mission, organization, types of audit, advisory and consulting services available to command may be appropriate, depending upon the frequency of courtesy visits by key Agency personnel, recently completed audits, and the familiarity of command personnel with Agency operations.

(b) In setting forth the objectives of the audit at an entrance conference, emphasis should be placed on the benefits that may be derived from the audit.

(c) Command's comments should be solicited regarding significant aspects of the installation or activity's organization, operations and procedures, and any conditions that should be considered during the audit, i.e., planned reorganizations, shortages of resources, a significant change in mission or operations that are underway or contemplated, or recent or planned audit coverage in the same area by another audit, inspection, or investigative group.

(d) Command should also be invited to discuss areas in which audit attention may be desired, including problems affecting operations or management.

(e) Where automated systems are an integral part of command's management process, Agency use of ADP audit techniques should be discussed. If access to command's computer system is needed, it should be arranged at the entrance conference. It may also be necessary to establish a special computer password for Agency use during the audit. A contact point should also be established to facilitate systems access and the use of ADP audit techniques.

(f) Command should be requested to identify the individual who will act as the liaison with the audit staff.

(g) The reporting procedures, including methods for keeping command informed on the audit progress, should be discussed. The Agency's responsibilities for reporting of potential monetary benefits

should be mentioned, and that such estimates will be staffed with the potential findings. Emphasis should be placed upon the importance of prompt command response to tentative findings and recommendations.

(h) The commander should be informed that the auditor- in-charge will be available as often as desired to present an update of the progress made on the audit, and the tentative findings being developed. The point should be made that such periodic meetings are beneficial to both the command and auditors, and contribute to more constructive audits.

(i) Mention should also be made of the Agency's policy of performing requested audits in accordance with the provisions of AR 36-5 and providing technical assistance to commands in accomplishing their responsibilities for establishing and maintaining effective systems of internal controls as set forth in AR 11-2, Management Control. It is also an opportune time to discuss the Agency's consulting services and organizational assessments of external units and activities

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(c) Activity Entrance Conferences. The auditor-in-charge should conduct a conference at each level of the activity prior to commencing an audit of the area unless key personnel attended the entrance conference. The main purpose of an activity conference is to:

(1) Introduce the Agency auditors to responsible activity personnel.

(2) Explain the audit objectives and scope of the work to be performed.

(3) Relate procedures that will be used in discussing and transmitting tentative findings and recommendations.

(4) Request a briefing on significant aspects of the activity's operations, and/or a tour of the activity, as appropriate.

(5) Discuss any other matters that may have an effect on the audit.

6. EXIT CONFERENCES

(a) Activity Exit Conferences. At the conclusion of audit work within an activity, an informal conference should be held with key personnel of the activity to discuss the audit results.

(1) Prior to this conference, tentative findings, recommendations, and any potential monetary benefits should have been fully developed, given the appropriate review, and submitted informally in draft to the activity chief.

(2) Discussion of tentative findings, recommendations, and potential monetary

benefits should be held prior to or at the activity exit conference. These discussions are necessary to ensure agreement with the facts presented, and that all contributing factors in areas requiring improvement were fully considered. The reasons for any nonconcurrences should be fully discussed.

(3) The auditors conclusions should also be presented and any additional command comments should be obtained.

(4) For those findings and recommendations which are classified, the command should again be asked to verify the accuracy of the classification and downgrading instructions.

(5) Command should not be asked to comment upon, give an opinion, or make a judgment on matters outside the scope of their responsibility.

(6) It is emphasized that the procedures for submitting and discussing tentative findings, recommendations, and potential monetary benefits, were established to provide assurance that all aspects of the condition have been considered, and the command's and auditor's positions are clearly established for inclusion in the draft report.

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(b) Formal Exit Conference

(1) The formal exit conference with the commander is considered one of the most important of all meetings held during the audit, particularly if command nonconcurred with findings, recommendations and potential monetary benefits.

(2) During the conference, the discussion will include (i) the auditors' overall observations and conclusions, (ii) any matters that need to be resolved to achieve mutual understanding and identify any differences of opinion, and (iii) additional corrective actions taken or planned by commanders on the findings and recommendations not previously made known to the auditors.

(3) In accordance with the provisions of AR 36-5, an exit conference will be held within 15 calendar days from the date of the draft report. The scheduling of an exit conference will not be delayed due to nonreceipt of replies to the tentative findings, recommendations, and potential monetary benefits. USAAA Regulation 36-61, Transmittals of Tentative Findings and Recommendations and Draft Audit Reports, sets forth the procedures for submitting the draft audit report.

(4) Advance planning and preparation for an exit conference is essential and rehearsal of the presentation may be desirable. The opening statement should be followed by a brief summary of audit results. The auditors should be prepared to discuss the potential monetary benefits statements submitted with the draft audit report.

(5) Renewed efforts should be made to resolve differences of opinion or nonconcurrences at the exit conference. The audited activity should be advised that their verbatum comments on the draft report will be included in the report.

The command should also be advised that any additional comments that it may wish to make on the final report should be furnished within 2 weeks following the exit conference.

(6) In accordance with AR 36-2, Audit Reports and Follow-up, and AR 36-5, Auditing Service in the Department of the Army, command's replies to the tentative findings and recommendations should show completion dates for actions taken during the audit and target dates for actions to be taken.

- If the target dates furnished with the replies to the tentative findings have passed by the time of the exit conference, command should be asked for the current status.
- If the action has been taken, the final report must be revised accordingly, showing the completion date.
- If the action has not been completed, command should be asked for a new target date.

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Any other dates in the draft report that have passed by the time of the exit conference should also be revised to reflect the current status. At the exit conference command should be reminded to review the validity of target dates when preparing the official command reply to the final audit report. If dates are no longer valid, revised target dates should be furnished in the official command reply.

(7) The command reply process and the procedures used in closing out and finalizing the reporting process should also be explained.

(8) The formal exit conference should be attended only by those Agency representatives who are familiar with the audit and can contribute to the conference's success. Such representation will normally be limited to those whose participation is required or expected, as designated by the program director. However, key Agency managers should attend the exit conferences on large, complex audits or when substantial nonconcurrences are anticipated. Also, the level of command personnel attending should be taken into consideration when determining the Agency personnel who should attend.

(9) As part of the closing remarks, the Agency's spokesperson should reiterate the Agency's assistance program, and express appreciation for the cooperation and assistance furnished to the audit staff.

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7. RECORDING AND REPORTING ENTRANCE AND EXIT CONFERENCES

(a) A Memorandum For Record will be prepared summarizing the highlights of the entrance or exit conference. This memorandum,which will become a part of the working paper file, will include the name, position, and activity of each attendee.

(b) If potential command-relation problems are apparent during the conference, the senior Agency member should advise the program director or deputy auditor general. Similarly, they should be advised of any unusual interest expressed in an area of the audit performed. If deemed appropriate, The Auditor General should be advised of such interest.

'FOR THE ACTING DIRECTOR:

LARRY R. SILER
Associate Director
Policy and Programs Division

THE PROPONENT OF THIS REGULATION IS THE POLICY AND PROGRAMS DIVISION. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PRP.

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APPENDIX

Distribution of Information Copies of Audit

Announcement Memorandums

Recipient	***Mailing Address***
Assistant Secretary of the Army (Financial Management and Comptroller	Department of the Army ATTN: SAFM-FOI Room 3E575 The Pentagon Washington, DC 20310
The Inspector General, DA	Department of the Army ATTN: SAIG-OP Room 1E721 The Pentagon Washington, DC 20310
Commander, U.S. Army Criminal Investigation Command	Commander U.S. Army Criminal Investigation Command ATTN: CIOP-ZA 5611 Columbia Pike Falls Church, VA 2204-5015

Inspector General, DODIG	Department of Defense Inspector General ATTN: AIG FOR AUDITING (APTS) Room 801 400 Army Navy Drive Arlington, VA 22202-2884 Department of Defense Inspector General ATTN: AIG for Inspections Room 944 400 Army Navy Drive Arlington, VA 22202-2884 Department of Defense Inspector General ATTN: AIG for Policy and Oversight Room 725 400 Army Navy Drive Arlington, VA 22202-2884
Comptroller General of the United States	General Accounting Office NSIAD, Room 5132 441 G Street, NW Washington, DC 20548

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DEPARTMENT OF THE ARMY
OPERATIONS CENTER, UNITED STATES ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION 36-32 **19 December 1997**

Audit

CUSTOMER SATISFACTION QUESTIONNAIRE

Purpose

Applicability

Background

Policy

Procedures

Identification of Customers and Stakeholders

Questionnaire Distribution

Collection of Questionnaires

Evaluation and Followup

Appendix A - Customer Satisfaction Questionnaire

Appendix B- Questionnaire Transmittal Memorandum

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1. **Purpose.** This regulation prescribes Agency policy on the use of the customer satisfaction questionnaire. It also prescribes procedures for identifying questionnaire recipients, distributing the questionnaire, and collecting, evaluating, and following up on questionnaire results. This regulation supersedes the procedures related to customer satisfaction questionnaires contained in Appendix G of USAAAR 36-54.

2. **Applicability.** This regulation applies to all audit and consulting engagements performed by the U.S. Army Audit Agency.

3. **Background**

a. The Agency's 1997-2002 Strategic Plan includes four goals, one of which is to exceed customer expectations through timely, valued services. The customer satisfaction questionnaire is one of the key tools the Agency uses to measure progress against this goal and related performance measures in the Strategic Plan. The questionnaire is used to solicit feedback on how well audit and consulting engagements were performed. Questionnaire results allow Agency managers to

identify performance strengths, weaknesses, and trends over time.

b. The Agency has used a customer satisfaction questionnaire since FY 93. The instrument was refined during FY 97. Subsequently, the Strategic Plan Implementation Team made additional refinements and developed a new questionnaire that will be fielded, effective 1 January 1998. It is included as Appendix A to this regulation.

c. In part, the questionnaire was refined to better recognize the distinction between customers (primary customers) and stakeholders (secondary-level customers). Previously, all questionnaire recipients were treated as customers. This is not always the case—particularly for requested engagements from the Secretariat and DA Staff where major commands and installations are generally stakeholders rather than customers.

4. **Policy.** Questionnaires will be sent for each audit and consulting engagement that is performed. Customer responses will be used to compute customer satisfaction ratings and measure progress against applicable goals and performance measures in the Agency's Strategic Plan. Stakeholder responses will be used only as performance indicators.

5. **Procedures.** Paragraphs a. through d. discuss the procedures for identifying customers and stakeholders, distributing the questionnaire, and collecting, evaluating and following up on questionnaire results.

a. **Identification of Customers and Stakeholders.** The Audit Manager (or the Auditor-in-Charge if no Audit Manager is assigned) will select the individuals who will be given a questionnaire to complete. The questionnaire will be sent to customers and—if applicable—to stakeholders. Audit Managers must use common sense and their best professional judgment in selecting customers and stakeholders. The following definitions and guidelines should be used to assist auditors in the selection process.

(1) **Customers**. A customer is the individual who requested the engagement, or key members of the requester's staff who were materially involved in the engagement. For engagements that weren't requested, the customer is normally the senior manager who directs the organization, activity or function under review, and/or key senior members of that individual's staff who were materially involved in the engagement.

(2) **Stakeholders.** A stakeholder is an individual assigned to an activity the Agency is providing services for, based on the needs or request of the customer. Stakeholders have a material interest in the outcome of the engagement (regardless of whether recommendations or suggested actions are directed to them). A stakeholder should be viewed as a secondary-level customer. Many engagements will not involve stakeholders. But on some engagements—particularly those requested by the Secretariat or DA Staff—auditors deal with both customers and stakeholders. For example, if the Assistant Secretary of the Army (Installations, Logistics and Environment) requests a multilocation audit of a program at several installations, the

Assistant Secretary would be the customer and the installations would normally be stakeholders. Typically (there will always be exceptions), the audit control point would send a questionnaire to the Assistant Secretary (or key members of the Assistant Secretary's immediate staff) and other primary customers, if any. This would be done only once--when the summary draft report or other summary-level draft deliverable is issued. At each installation, a questionnaire would be sent to a stakeholder(s) when work at the site is essentially complete (draft report date if a site report is issued). See paragraph 5. a. (3) concerning the coding of questionnaires.

(3) **Coding of Questionnaires.** The Agency will use the questionnaire at Appendix A to solicit feedback. It will be coded to distinguish between customers and stakeholders. This coding will be shown at the beginning of the instrument under the "Customer Code." Customers will be coded with a "C" (C1, C2, C3, etc. for multiple customers). Stakeholders will be coded with an "S" (S1, S2, S3, etc. for multiple stakeholders). The distinction between customers and stakeholders is very significant in terms of the how questionnaire ratings are used and their impact:

- Customer ratings are critically important because they are used to compute the Agency's overall customer satisfaction rating—one of the Agency's key performance measures. The overall customer satisfaction rating is based on responses to questions in the first five sections of the questionnaire: subject matter, timing, benefits of the engagement, timeliness of information delivery, and effectiveness of auditors and audit teams.
- Stakeholder ratings are important and will be used as performance indicators. However, these ratings will <u>not</u> be used to compute the Agency's overall customer satisfaction rating or ratings against any other performance measure dealing with "customer" satisfaction.

Therefore, it is essential that the Audit Manager properly identify each questionnaire recipient as a customer (the primary customer) or as a stakeholder (the secondary-level customer).

(4) **Questionnaire Recipients.** Questionnaires will be sent for each audit and consulting engagement that is performed (that is, for each assignment number regardless of whether a report is issued or not). All aspects of the selection process are at the discretion of the Audit Manager. Usually, the key customers are known by the time the entrance conference is held (the engagement memorandum should be addressed to/identify the customer(s) and should specify the deliverables and timeframes that the auditors and customer agreed to). Many engagements will have two to six customers, but there is no standard number. Likewise, the applicability of stakeholders and the rank of questionnaire recipients (whether they are customers or stakeholders) will vary according to the peculiarities of each engagement.

b. **Questionnaire Distribution.** Distribution of questionnaires requires close coordination between the Audit Manager and the Organizational Effectiveness Division (PMO-B) at the Operations Center.

(1) **Timing.** Questionnaires normally will be provided to recipients when the draft report or other draft summary-level deliverable product is issued, but no later than when the exit conference is held (or the date the exit conference is waived). Delivery at the draft report/exit conference stage enables recipients to respond to the questionnaire when the issues surrounding the engagement are still very current.

(2) **Delivery Methods.** The Audit Manager is responsible for determining and advising PMO-B of the most practical means of delivering the questionnaire to all intended recipients. Delivery methods include (1) e-mail, (2) hand-carry or fax, (3) regular mail, or (4) any combination of the first three methods. Actual delivery of the questionnaire will be accomplished by the Audit Manager or PMO-B—or a combination of both—based on the Audit Manager's recommendation.

- Audit Managers will be responsible for delivery whenever the questionnaire is hand-carried or faxed.
- PMO-B will be responsible for delivery whenever e-mail or regular mail is used.

When PMO-B distributes the questionnaire via regular mail it will: (1) prepare the transmittal memorandum for signature by the Program Director, Organizational Effectiveness Division for each questionnaire (Appendix B), (2) prepare a postage-paid return envelope addressed to U.S. Army Audit Agency, Organizational Effectiveness Division, ATTN: SAAG-PMO-B (Mr. R. Thompson), 3101 Park Center Drive, Alexandria, VA 22302-1596, and (3) mail the questionnaire package to the addressee.

(3) **Customer/Stakeholder List.** A template for the customer/stakeholder list is at Appendix C. The Audit Manager must provide this information to PMO-B prior to or upon release of the questionnaire to the recipient. PMO-B needs this information for all recipients, regardless of whether PMO-B or the Audit Manager distributes the questionnaire. PMO-B uses the information to maintain its questionnaire database and update the TAMS database (the C680 screen) for each questionnaire that is distributed. Audit Managers should furnish this information to Mr. Richard Thompson via telephone (DSN 761-4382 or commercial (703) 681-4382) or e-mail through Exchange.

c. **Collection of Questionnaires.** PMO-B will collect all completed questionnaires, either directly from recipients or from the Audit Manager who distributed the questionnaire. Upon receipt, the customer and stakeholder ratings, and any narrative comments they provide, will be entered into the PMO-B questionnaire database and posted against applicable performance measures on the Agency's Intranet (under the PMO-B homepage). The performance measures include:

- Overall Customer Satisfaction (average of ratings for questions 1-4, 6, and 7)
- Customer Satisfaction with Audit Teams (question 7)
- Customer Satisfaction with Auditors' Use of Command's Information Technology (question 8)

- Repeat Requests and Referrals (question 9)

All employees will be able to see the comments and performance ratings at various levels: by engagement, Program Director, Deputy Auditor General, or Agencywide. All completed questionnaires will be forwarded to the cognizant Program Director immediately after PMO-B has recorded the data in the automated systems.

d. **Evaluation and Followup.** Program Directors are responsible for reviewing questionnaire responses on each engagement and following up with customers or stakeholders who provided low ratings or negative comments. The need for followup is at the discretion of the Program Director.

FOR THE DEPUTY AUDITOR GENERAL:

/s/ Donald C. Cress
DONALD C. CRESS
Acting Program Director
Organizational Effectiveness

THE PROPONENT OF THIS REGULATION IS THE ORGANIZATIONAL EFFECTIVENESS DIVISION. USERS ARE INVITED TO SEND COMMENTS OR SUGGESTIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PMO-B.

DEPARTMENT OF THE ARMY
OPERATIONS CENTER, UNITED STATES ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION 36-36 **1 April 1998**

INCORPORATING THE OFFICIAL ARMY POSITION (IOAP)

THE COORDINATED AUDIT

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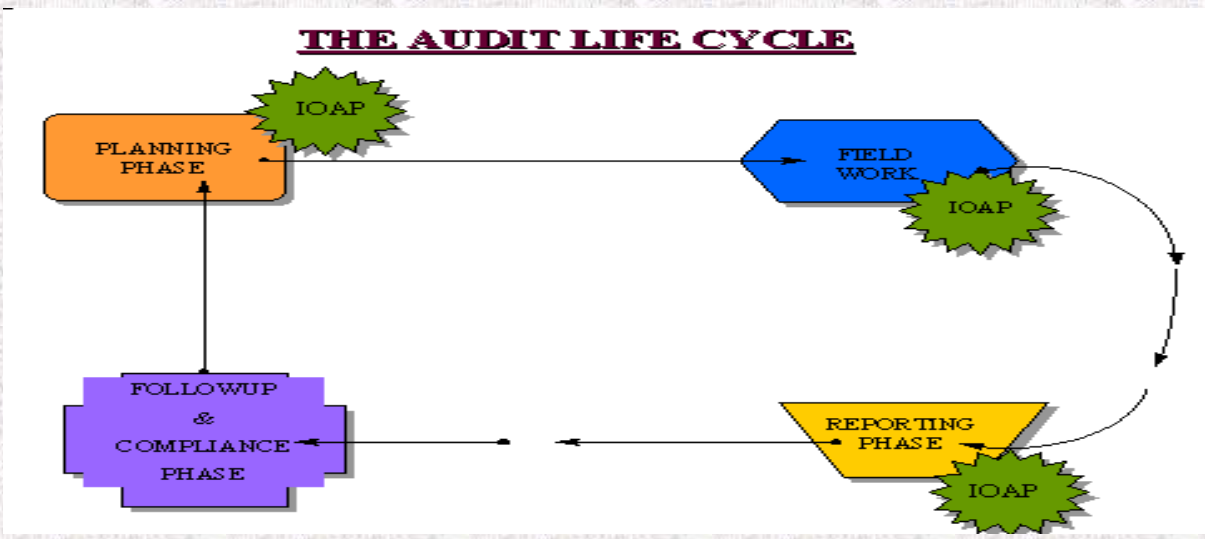
1. PURPOSE. This regulation provides guidance on the new audit process for the audit planning, staffing audit results and Incorporating the Official Army Position in Army Audit Agency final audit reports.

2. APPLICABILITY. The provisions of this regulation apply to all audits performed by the U.S. Army Audit Agency, that require the Official Command Reply process under AR 36-2. The general provisions under this regulation should also be followed for all other audit engagements whenever feasible.

3. POLICY.

a. The new audit process is aligned under the four phases of the traditional audit life cycle - The Planning Phase (I), The Field Work Phase (II) and The Reporting Phase (III). The forth Phase is the Follow-up Phase which will not be addressed under this document.



b. Overall, the audit process under AR 36-2 remains generally unchanged. However to help ensure that the Official Army Position is incorporated in the final audit report some new concepts are being added.

1) A formal pre-planning document, notice of intent, will be provided to command 45 days prior to the start of the audit. This is to show our up-front commitment to keeping key audit "points of contact", actively involved in the audit and to obtain command buy-in to the audit approach.

2) A new audit staff position, Designated Team Member (DTM), has been added to assist the management of administrative details of developing the audit program and pre-plans.

3) Discussion meetings were added to the audit process. The objective of each discussion meeting is to ensure that TFARs, as they are developed, are jointly discussed between auditor and command/client. The discussion meetings supplement the IPR, in that command is kept informed of every significant event; audit results, progress, TFARs and other items of importance.

4) Command Positions, should be obtained from the discussion meeting on the TFAR, and be included on each recommendation.

5) Program Directors and Audit Managers (or their designated representative) are responsible for obtaining the Official Army Position and making sure it is properly included in the final report. This will require coordination with responsible staff and policy proponent elements at the activity, MACOM and DA levels.

6) Further, unresolved disagreements will be elevated by the Deputy Auditor General for adjudication by the Vice Chief of Staff or the Under Secretary of the Army.

4. ACRONYMS , TERMS AND TERMINOLOGY

AIC - Auditor - In - Charge
ALO - Command Audit Liaison Office
AM - Audit Manager
DTM - Designated Team Member
IOAP - Incorporating the Official Army Position
IPR - In-process Review
IR - Command Internal Review
PD - Program Director
MACOM - Major Army Command
MSC - Major Subordinate Command
Engagement Memorandum - Agreement Between Client and USAAA

Point of contact for questions, suggested revisions and comments, is Vicky Sain, who can be reached at, commercial 703-681-4293, DSN 761-4293, e-mail: sainv@aaa.army.mil or FAX: 703-681-9860 (commercial) or 761-9860 (DSN).

FOR THE DEPUTY AUDITOR GENERAL:

DONALD C. CRESS
Acting Program Director

APPENDIX I

Planning Phase

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A. NOTICE OF INTENT TO START AUDIT

To enhance coordination and achieve maximum early client support, the Agency will issue a notice of intent to start an audit ***45 days*** before the planned entrance conference date. **(Annex A-Notice of Intent to Start an Audit)** The Notice of Intent to Start an audit has one key objective: to refine the audit objectives by incorporating Command or Client issues or concerns where appropriate. The notice includes a request for command/client to respond back with their concerns, comments and issues. Normally, 30 calendar days is sufficient time for the Command to reply.

The notice should provide basic, pertinent information to all the key players; HQDA, MACOM, MSC and Installation or audited activity focal points. As a minimum it should give;

- audit assignment numbers.
- origin (internal agency initiative; identify DA, DOD or Congressional request, etc.).
- tentative or proposed objectives, milestones and sites (if known).
- if the Agency has not selected sites, state whether you would like comparative command data to assist in the selection.
- potential benefits to be achieved.
- various levels of command and known key points of contact who will be involved with the audit.
- a discussion of the new audit process; in particular how TFARs will be processed for obtaining the Command's Position - what levels of command will be involved in the formulation of the Command's Position. **Get the names of those who have the authority to make decisions on Command Positions.**
- any other unique or specific information pertinent to the audit.
- request for background material for the audit; list of management tools, regulations, SOPs, Database Systems, Funding\Appropriation\MDEP Information, etc.

Early, informal coordination gives the Agency and Client time to assess the validity and potential benefits of performing scheduled audits. To the extent that the Agency audits the most important areas of interest to the Army or client, will depend largely on the up-front coordination and openness in communications.

It is at this phase that the Agency should emphasize that the Internal Review or Audit Liaison Office (focal points) asks for assessment on audit objectives from local and subordinate staffs. Particularly, feedback on audit objectives, sites and milestones and any information or advice on ongoing or recently completed audits, reviews, inspections or surveys should be provided. This ensures early buy-in and interest by all key personnel. Additionally, a list of key personnel at HQDA, MACOM/MSC and installations who will be involved in the audit should be drafted and submitted by the focal point(s) to the Agency.

B. COMMAND FEEDBACK

After the Agency's notice of intent to start an audit, the Command provides their comments, concerns and issues (could include feedback from HQDA, MACOM, MSC and Installation or Audited Client).

To ensure the greatest success of working a "coordinated" audit, command levels should be encouraged to respond directly to the Agency PD, or Designated Team Member (DTM; Assistant PD, AM, AIC or Staff Auditor) and copies of all feedback should be furnished to all command level points of contact; via e-mail, phone, courier etc.

At this stage the PD or DTM sets the direction of the audit and ensures agreement is reached on a format for keeping command involved in the audit process.

This is Command's opportunity to voice their concerns and issues about the scheduled audit such as;

identifying similar reviews completed or ongoing initiatives

inappropriate timing for site visits,

reasonableness of objectives,

other areas of Command interest.

If Command has no significant issues or suggested changes, the points of contacts should call and advise the Agency PD or DTM.

Otherwise, the PD and/or DTM evaluates Command feedback, revises objectives and the audit plan (if necessary) and works with Command to identify potential or confirm audit sites. Additionally, the PD or DTM should obtain feedback from Command on;

how intensively management wants to track the audit;

the format and frequency of audit updates;

their understanding of the requirement for process review meetings (to keep objectives up-to-date and on track with audit requirements).

their understanding of the need for discussion meetings as tentative findings and recommendations - TFARs are drafted;

the priority of sub-objectives and scope of reviews.

Information at this stage is passed onto the Agency Audit Staff (if identified).

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C. AUDIT ANNOUNCEMENT

Upon completion of preliminary coordination between the Agency and Command and once all issues, concerns and revisions have been addressed by all parties, the traditional audit announcement is sent to Command (**Annex B - Audit Announcement).**

The Audit Announcement requests an entrance conference, states the audit objective(s) (as previously discussed and agreed to), site(s) and the proposed entrance conference date(s) to the Command, location or activity to be visited; and request advance copies of background material, local SOP's, policy letters, etc. that will help the staff understand the intricacies of the activity..

It is important that the Agency representatives stress to Command focal points (IR or ALO) the importance of notifying and ensuring that Command Group and other key staff personnel with responsibility for functional area(s) to be audited, attend this conference.

At this stage, a "read-ahead" packet, prepared by the Audit Manger or DTM, should be provided to the Command Focal Point who should disseminate to Command and all key personnel. By doing this, it will give Command and the audited activity time to digest the audit plan and objectives and bring to the entrance conference (or before) issues that need to be addressed, explained and/or resolved.

Generally, the focal points have ownership for advising their counterparts at Installation and MSC/MACOM/DA levels of the upcoming audit. They will coordinate the date, time, place and proposed attendees for the entrance with the Agency.

D. PREPLANNING MEETING

Before the scheduled entrance conference date, the Agency PD or DTM will conduct an audit planning session with all members of the assigned audit team. In the event that the auditor is still working on their last audit, coordination should be made between supervisors to allow the auditor to attend preplanning meetings for a least one or two days. Otherwise, significant information on missed preplanning meetings should be captured in minutes and given to the audit staff member(s) to keep everyone informed.

The PD and DTM meets with all members of the audit team to discuss key issues, revise objectives** refine audit plan and share ideas on the assignment.

**NOTE: Command should be informed of any major revisions to the audit objectives.

DTM prepares a standard/prescribed Entrance Conference Handout.

Normally command is not involved in preplanning meetings at this phase. However, IR or the ALO may be asked to participate in the audit planning of Joint Agency/Command audits. Invitations to Preplanning Meetings should be coordinated by the DTM and encouraged where and when possible and reasonable to do so.

E. ENTRANCE CONFERENCE

The entrance conference is significant to building the foundation of confidence in the Agency's new audit process and trust in the openness of the Agency's audit staff.

Once again, it is here that the Agency audit staff should re-state the importance of close coordination and open communication between Command and the Agency audit staff and where the new audit process will be discussed; what will occur, when it will occur and the importance of command's close and personal involvement in capturing Command's Position on any tentative findings and recommendations.

Clearly, if Commanders, IR Staff and the audit activity are not in attendance a disconnect on how the audit process will be played will occur and a breakdown in communication will result.

This is also the time for Command to discuss any issues that were not clarified during the "Notice of Intent to Start Audit" and "Command Feedback" stages of the Planning Phase (I). Command's concerns need to be addressed and, if required, audit plans revised.

The DTM conducts the traditional entrance conference and as a minimum should;

address the audit objectives, scope and milestones.

thank client publicly for information provided and request any additional information needed.

introduce the audit staff.

discuss the new audit reporting process.

ensure that client understands that the validity of each objective will be decided in discussion meetings; called as needed and will require participation of key command representatives.

ensure that the client understands that process review meetings will be held when needed or requested by command (which depends largely upon command's involvement in audit).

ensure the ALO or IR understands the objective of Discussion Meetings as they pertain to TFARs and that coordination and scheduling of these meetings is the responsibility of the Command Audit Liaison Point of Contact (normally the IR Office or ALO).

The entrance conference should result in an agreed upon format on who will be involved in the discussion meetings and resulting Command Positions. It should be emphasized at this meeting that the intent of the new process is an ongoing process that does not stop at any given point in time but will be addressed as a TFAR is developed.

It is important the Agency obtain, if you don't have by now, a key staff personnel and functional points of contact list from the client.

The DTM will document the attendance and results of the conference, send copies of the memorandum for record to attendees and Command Group. (Either Agency staff auditor or Internal Review or Audit Liaison auditor may perform this function; decide before entrance conference).

The DTM will send out an **Engagement Memorandum of Auditor Services (Annex D).** This memorandum is essentially a contract between the client and Agency. The purpose of this memorandum is to confirm client and Agency objectives, scope, and responsibilities of the persons and activities involved in the audit. To facilitate the development of the memorandum a checklist of the job research is located at **Annex D - Job Planning Checklist**.

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APPENDIX II

Field Work Phase

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INTRODUCTION

During this phase, three events will be taking place, in accordance with the audit plan that was developed and coordinated with the

Agency Audit Staff and the Command/focal points and other designated key players;

initial audit work will be performed to validate objectives and refine audit scopes,

audit verification will be performed,

and the commands' position(s) will be obtained.

During the course of these events, discussion meetings should be scheduled between Command and Agency Audit Staff to ensure that each event is addressed as it occurs.

A. INITIAL AUDIT WORK EVENT

Ensure that close, continual contact is made with appropriate MACOM/DA managers to touch base with current policy on all areas being audited to preclude mis-informed results.

As the initial audit work (***normally within the first 30 days of the field work)*** is completed, the DTM will coordinate with Command on setting up a discussion meeting to go over the results of the survey for each objective.

One meeting can be called after all objectives are surveyed or can be staggered** between several meetings. This will depend on the complexity of the audit, and its objectives, commands' desires and the Audit Plan developed in the initial audit planning phase.

> **NOTE: *The staggered option offers continuous forward movement of the audit plan as the survey results on each objective is discussed as they are developed and is not held up pending 100% review of all objectives. On-the-spot revisions and/or utilizing audit staff on other audit objectives may result under this approach.*

Either the AM or the DTM will ask Command for a joint meeting with audit team members and Command representatives. Additionally, the Agency Audit team will provide a "read-ahead" handout of survey results, potential problems the auditors will pursue during audit verification and potential recommendations.**

NOTE: *At this stage you should start developing an outline of the TFAR(s).* ***In drafting recommendations, you should be able to ask, and positively answer, three questions that will help determine the quality of the course of action, that you are recommending to command;*

1) Will my recommendation "fix" the problem? (i.e.; did it address the real issues…is it really a weak regulation or is it really weak management -- if the latter, address it?)

2) If I had to implement this recommendation within 18 months could I? (i.e.; it takes 5 to 7 years to revise a regulation –suggest you recommend that the command "issue guidance" versus "revise AR 99-999".

3) Is this recommendation something that I could easily follow-up on later, as an audit, to ensure command took the corrective action? (i.e.; it the "fix" something readily traceable or is it ambiguous?)

All audit staff members should be allowed to participate in the in-process review meeting and Command should be encouraged to invite as many appropriate functional staff to attend these meetings. The intent of this initial audit work discussion meeting is to fully discuss and attempt to achieve agreement on survey results and potential problems to pursue and to solicit from Command any other issues or concerns that the auditors should consider during audit verification. These meetings will result in final decisions being made on what audit objective will be pursued and objectives will be canceled (the traditional go/no-go decision).

The discussion meeting should always be summarized by the DTM who will submit the results to PD and AM.

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B. AUDIT VERIFICATION EVENT

Discuss with appropriate Activity, MACOM and DA managers generic nature of problems and possible solutions.

Upon completion of the IPR the audit will proceed into audit verification. Upon obtaining sufficient supporting documentation on problems and findings, the audit staff should be empowered to discuss each area of concern that will generally result in a Tentative Finding and Recommendation (TFAR).**

**NOTE: *At the conclusion of the Audit Verification Event, you should have a written TFAR..*

It is important that the audit staff be empowered to openly communicate with the client to promote a better understanding of what

might be causing the problem and to formulate a recommendation that is supported by the entire Command and that will likely fix the identified problems and will ultimately result in an Army Position Statement.

Process Review Meetings should be considered, on a smaller scale, between the staff auditor, internal review personnel and the specific functional area clientele. This interface is designed to smooth the transition from audit verification to the drafting of the TFAR(s).

As the TFARs are submitted **(Annex E -TFAR Transmittal Memorandum)**, discussion meetings between the Command Focal Point and the audit staffs (USAAA and IR) should be scheduled to discuss and revise (if needed) any TFAR(s). Prior to forwarding the TFAR with Command's Position to the MACOM you may want to submit the TFAR to the editor for review.

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C. COMMAND POSITION EVENT

1. BACKGROUND OBJECTIVE ON PROCESSING TFAR(S).

The objective of this event is to obtain the lowest level concurrence on all TFAR(s) – at the Installation level – before forwarding the total package of TFARs to the MACOM or MSC and DA Staff levels for their final concurrence.**

**NOTE: *In the pre-planning phase of the audit, discussions on how Command Positions will be processed and who has authority to decide the Command Position, should have been determined and locked down in the Notice of Intent to Start Audit – Phase I. If not, obtaining the Command Position may be difficult and effect the efficiency of bringing the final draft report together.*

2. OBTAINING COMMANDS' POSITION(S).

The Auditor-in-Charge should submit the TFAR(s) to command and work with IR or the audited activity to schedule a Discussion Meeting to make any appropriate changes and to formulate the Command Position.** Further, Discussion Meeting should culminate in a Letter of Agreement **(Annex F - Letter of Agreement)** between the Agency and Audited Activity.

**Note: *It is crucial for auditors to thoroughly discuss audit findings, recommendations, and monetary benefits with Command before submitting a TFAR for comments and Command's position…especially if you want agreement on the position. Pre-staffing should expedite the reporting and reply process.*

The Command should be encouraged to forward TFAR(s) – **(Annex G - Command TFAR Staffing Memorandum)** to appropriate functional offices or audit coordinators and to solicit reviews and preparation for any upcoming discussion meeting** and formulate a tentative position with information to support the position.

Since it is up to the focal points to coordinate and schedule discussion meetings with auditors and the functional representatives, a reasonable amount of time for Command preparation should be allowed.

**Note*: In some instances command and the audit community may determine that a meeting is not necessary. Alternatives may be used in lieu of a the more formal discussion meeting; such as e-mail, verbal media etc. In any case the audit team should document the discussion and get Command's "chop" on the results to preclude confusion at a later date when the TFAR(s) are elevated to higher staff levels.*

When TFARs and a Command Position are agreed to by the Agency and Command a transmittal memorandum of the results of the Discussion Meeting and TFAR are submitted to the MSC/MACOM and DA Audit Focal Points. The memorandum will be jointly signed by the Agency and Command Representatives **(Annex H - Joint Agency/Command Discussion Meeting Uplift Package)**.

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3. WORKING OUT DISAGREEMENTS OR NON-CONCURRENCE ON TFARs

If the audited activity disagrees with the audit results, conclusions, recommendations, or monetary benefits, attendees should discuss areas of disagreement and make appropriate revisions, where possible.

Command representatives are encouraged to propose alternatives to clarify the facts, recommendations, or monetary benefits. All participants should make every effort to reach agreement. If an agreement or compromise can't be reached, then the audit staff will document auditor evaluations and Command comments and fully explain the rational for the disagreement.

This information will be included in the final package and becomes the basis for resolving the disagreements at the MSC/MACOM or DA levels. If possible every effort should be made to obtain a concurrence on TFAR(s) in question at the lowest level of command. If agreement can't be reached at the MSC/MACOM level the TFAR(s) will be elevated to the DA Staff level by the PD or DTM.

At this time if DA overturns the subordinate Command's position, the DA position becomes the Official Army Position.

If DA disagrees with the audit results, recommendations, or monetary benefits, the Agency Program Director or Audit Manager will meet with DA representatives to resolve issues. The position reached at mediation will become the Official Position. If no position can be reached from mediation, the draft TFAR(s) or report will go to the Under Secretary of the Army or Vice Chief of Staff for adjudication to formulate the Official Army Position. (See Phase III - B. Handling Disagreements)

Innovative methods for ensuring the flow of TFARs being submitted for Command Position should be used to keep the flow of the audit moving forward. For example, submission of TFARs with Command's Position (assuming concurrence) may be floated to the MSC/MACOM and DA Staff levels if command is accepting of this arrangement. In other instances, command may desire that the MSC/MACOM be brought into the initial staffing of the TFAR with the audited activity; at which time both the Command's Position and MSC/MACOM and possibly DA Staff level may be obtained.

4. PROCESSING TIME SENSITIVE REPORTS.

Time Sensitive reports address potentially adverse significant or sensitive situations that can be stopped, alleviated, or prevented by taking specific action either immediately or by a specified imminent date before the normal reporting an decision processes can be completed. For purposes of this paragraph, significant and sensitive situations include:

Unnecessary or wasteful expenditures of more than $1 million.

Determinations that combat readiness or program or mission accomplishment is or may be seriously impaired.

Serious incidents, as defined by AR 190-40, involving abuse, illegal activity, or statutory violations.

Issues having political, public affairs, or media interest that could cause embarrassment to DA.

Situations having as significant effect on safety, health, or security.

Command replies to draft time sensitive recommendations will be processed as follows. USAAA will issue the report in time to allow at least 30 days for decision. The report will be provided simultaneously to the action commands, HQDA principal official positions, the normal official command reply prescribed above will be circumvented to the extent that a command position is not required. The transmittal to USAAA (SAAG-PRF-I) and TIG requesting early decision will explain the time urgency and include a copy of the command and HQDA principal official positions. USAAA will mediate disagreement, and if necessary, forward disputed issues to TIG for elevation to the VCSA or USofA for decision. Correspondence will be prepared USAAA (SAAG-PRF-I) advising the MACOM or agency and appropriate HQDA principal officials of the final DA position according to paragraph 2-8d(3).

USAAA may elevate issues directly to the VCSA or USofA if there is not sufficient time for the normal or time sensitive report procedures.

Commanders and managers will avoid preemptive actions on decided reports according to paragraph 2-4d.

Time sensitive reports will be treated the same as other final reports to semiannual Follow-up Status Report purposes.

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APPENDIX III

Reporting Phase

A. DRAFT REPORT & THE ARMY POSITION STATEMENT

Upon conclusion of the audit and last Discussion Meeting the audit team consolidates all Findings and Recommendations ---FARs (including Command responses) into a draft report. Concurrently, the IR/ALO tasks local and other staffs **(Annex I - Agency Draft Report Memorandum)** for final input in lieu of written comments. The IR/ALO will consolidate staff input and prepares the final local command reply. Additionally, the IR/ALO should mail the Command Reply to Agency and DA/MACOM/MSC and Installation Audit Focal Points.

The final package will be submitted under cover memorandum by the DTM; ***you may want to submit the Draft Report to the editor***

for review. The Agency representatives should emphasize that this final report will include the Official Army Position.

DTM submit the draft report simultaneously to DA/MACOM/MSC and installation levels for final input in formulating the "Official Army Position Statement –APS".

At this juncture, if disagreements still exist, the DTM will prepare a package for Department of the Army Inspector General Office to adjudicate disagreements that the Agency and Command have not resolved.

If the MACOM/MSC and DA staff concur with the finding, recommendation, and monetary benefits, the audited activity's Command Position becomes the Official Army Position. If changes by succeeding Command levels are required the Position is worked until a final agreement is made resulting in an Official Army Position.

When the MACOM/MSC and DA staff(s) support the audited activity's Command Position, audit focal points should notify (telephone, electronic mail or facsimile) the audit team and counterparts that the audited activity's position is good to publish as the Official Army Position.

B. HANDLING DISAGREEMENTS

If the Program Director, Client and Command Chain can't resolve disagreements during staffing of the draft report, the Deputy Auditor General will elevate the disagreement(s) to the Vice Chief of Staff or the Under Secretary of the Army for adjudication. In these cases AR 36-2, paragraph 2-8.d.(3) apply.

C. EXIT CONFERENCE

The transmittal memorandum **(Annex I)** for the draft report also contains a request for Command to set up an exit conference (within 10 days or a reasonable time). *This is the time to try to resolve any remaining disagreements before formulating what will become the Official Army Position to published in the final audit report.*

If Command fully agrees with the draft report (recommendations, monetary benefits and paraphrasing of Command comments), they can waive the exit conference. If Command desires an exit conference, one should be conducted and documented in the same manner as a discussion meeting. Exit conferences may be teleconferenced with Installation/MSC/MACOM and DA staffs; *don't preclude other innovative ways to conduct exit conferences to ensure the greatest participation of all key personnel.*

D. THE FINAL REPORT

Once the Agency and Command develop the official Army Position and conduct or waive an exit conference, the Agency publishes the Final Audit Report. The Agency will incorporate comments made by Installation/MSC/MACOM and DA staffs as the Official Army Position in response to each objective and recommendation in "Summary of Audit" and "Findings, Recommendations and Official Army Position" segments of the final report. An Annex of the Final Report will include verbatim comments from Installation/MSC/MACOM and DA staffs on the draft report. See USAAAR 36-35 for assistance on agency report formats.

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APPENDIX IV

Implementing Memorandum
28 February 1998

MEMORANDUM FOR PRINCIPAL OFFICIALS OF HEADQUARTERS, DEPARTMENT OF THE ARMY
ALL MAJOR ARMY COMMANDERS

SUBJECT: Incorporating the Official Army Position in Audit Reports

1. The Agency is adopting a new audit process to capture the Official Army Position in all audit reports as they

are issued.

2. This decision came after a 1-year study that included: survey results from our customers, employing a Process Action Team to charter changes into the audit process and, finally, completion of pilot audits that tested the new process. Based on customer-survey feedback and tremendously, successful audit results, I made the decision that the Agency will adopt the new audit process not later than 1 April 1998.

3. There are three major changes to our audit process.

a. First, the client will be involved in the entire audit process from the planning phase to the reporting phase.

b. Second, the client and Agency's auditors will work out the final solutions to the recommendations in the report.

c. Third, final reports will be issued with the Official Army Position.

4. I ask your assistance in implementing this new process within the command structure. I have enclosed a copy of the new guidance explaining this process (encl 1).

5. If you have any questions, please contact Mr. Stephen E. Keefer at DSN 761-9820 or commercial (703) 681-9820, FAX: DSN 761-4607 or commercial (703) 681-4607.

--signed--
Encls FRANCIS E. REARDON
The Auditor General

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ANNEX A

NOTICE OF INTENT TO START AUDIT

S: 30 DAYS

SAAG- Current Date

MEMORANDUM FOR (Local Command Staff Sections/Command Group/Subordinate Command Staffs)

SUBJECT: Notice of Intent to Start Audit of (AUDIT TITLE - ASSIGNMENT CODE - 6 Digit Code)

1. In accordance with Army Regulation 36-5, the Army Audit Agency plans to start subject audit on (DATE - 45 Days out). **

***NOTE: client should obtain from the Agency PD or DSA whether the audit was self-initiated by the Agency or information on external requester and any specific milestones.*

2. Tentative audit objectives (LIST ALL POTENTIAL OBJECTIVES):

3. Request your comments, within 30 days, on the proposed audit and areas of Command interest to help the Agency finalize plans for the assignment. You may wish to comment on the validity or value of doing the audit, the reasonableness and thoroughness of the tentative audit objectives, or other objectives that the Agency should consider. Areas of Command interest may include other ongoing or recently completed similar reviews, timing of the assignment, other events that may impact or interfere, or specific areas or concerns that would benefit Command.

4. We encourage direct informal and electronic responses between all Command levels and the Agency Program Director. However, installation, /MSC/MACOM and DA counterparts may wish to share information to ensure the most effective coordination.

5. For additional information, contact (NAME OF POC/DTM and TELEPHONE NUMBER/E-MAIL ADDRESS/FAX NUMBER).

Deputy Auditor General:

SIGNATURE BLOCK
PROGRAM DIRECTOR

NOTE: IRACO will notify Commander, DA/MACOM/MSC/Installation Local Staff Sections and Audit Focal Points.

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ANNEX B

AUDIT ANNOUNCEMENT

SAAG - Office Symbol Date

MEMORANDUM FOR Commander, all DA and /MACOM/MSC/Installation

SUBJECT: Audit Announcement for Audit of (ASSIGNMENT CODE - 6 Digit Code)

1. In accordance with AR 36-5, the U.S. Army Audit Agency plans to start a multi (single)-location audit of (AUDIT SUBJECT) about (DATE). The audit control point for this assignment will be located at the (LOCATION).

2. The audit objectives are to determine whether: Insert Objectives

3. We request an entrance conference on or about (DATE). The purpose of the conference will be to discuss the objectives, reporting procedures to be used, methods used to brief command on the audit results, and procedures used for processing the audit report.

4. Key representatives of the Agency who plan to attend the entrance conference are;

5. If you have any questions concerning the audit, please contact (POC NAME/TELEPHONE NUMBER/FAX/E-MAIL) or (ALTERNATE POC).

FOR THE DEPUTY AUDITOR GENERAL:

SIGNATURE BLOCK

CF:
Assistant Secretary of the Army (Financial Management and Comptroller)
U.S. Army Inspector General
U.S. Army Criminal Investigation Command
Department of Defense Inspector General for Auditing
General Accounting Office

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ANNEX C

COMMAND TASKER ON 45-DAY ANNOUNCEMENT

"FOR IR USE"

MEMORANDUM FOR (Local Command Staff Sections/Command Group/Subordinate Command Staffs)

SUBJECT: U.S. Army Audit Agency Audit of (AUDIT TITLE - ASSIGNMENT CODE - 6 Digit Code)

1. The Army Audit Agency plans to start a multiple location audit of (AUDIT TITLE) in (DATE). The audit control point for this assignment will be located at the (LOCATION).

2. The audit objectives are to determine whether:

udit Objective; etc.

3. Include other unique or specific information related to this assignment. The Agency plans work at (LOCATIONS).

4. We request an entrance conference on or about (DATE). The purpose of the conference will be to discuss the objectives, reporting procedures to be used, methods used to brief command on the audit results, and procedures used for processing the audit report.

5. Auditor-in-Charge of the Audit Control Point at the Pentagon is (POC NAME/TELEPHONE NUMBER/E-MAIL/FAX). Auditor-in-Charge of the team to visit our location is (POC NAME/TELEPHONE NUMBER/E-MAIL/FAX).

6. Request the Directorate of Operations take the lead to arrange the entrance conference. To make the entrance as productive as possible, staff sections should ensure that key personnel associated with this audit of (AUDIT TITLE) attend the meeting. Also request all addressees advise this office, NLT (DATE) of any concerns about this assignment, specific areas of interest, or need to talk with the auditors before they visit the installations.

SIGNATURE BLOCK
INTERNAL REVIEW

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ANNEX D

Annex D is under modification.

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ANNEX E

TFAR TRANSMITTAL MEMORANDUM

Office Symbol (DATE)

MEMORANDUM FOR Commander, *(Identify Audited Activity)*, ATTN: Internal Review Office

SUBJECT: Tentative Finding and Recommendation(s) *(A)- (AUDIT TITLE - ASSIGNMENT CODE - 6 Digit Code)*

1. Enclosed is/are a tentative finding(s) and recommendation(s) developed during the Audit of *(TITLE).* We discussed the finding, titled *(A) - (TITLE), with (IDENTIFY KEY STAFF MEMBERS AND DUTY POSITIONS).* We are submitting the finding (OPTIONAL: and a copy of the related draft potential monetary benefits, (USAAA Form 328)) for your review.

2. In accordance with AR 36-5, we request a meeting with your representatives to discuss the tentative findings. The purpose of the meeting will be to establish agreement or disagreement on the facts, conclusions, recommendations, (OPTIONAL: and monetary benefits) and to establish the local command position. We will incorporate results of the meeting into the findings and command comments.

   a. If you agree with the finding, recommendations, and monetary benefits, your position becomes the command position, and will be published in the final report unless changed by the major command or DA levels.

   b. For points of disagreements on the facts, conclusions, (or) recommendations, (OPTIONAL: or monetary benefits), request that you provide alternatives to possibly resolve the differences. If there are any points of disagreements after the meeting, agency and command representatives will package and forward the issues to MSC/MACOM and DA for resolution. Agency representatives will

meet with MSC/MACOM and DA proponents to resolve the disagreements. The agreed-to DA position becomes the Official Army Position on the recommendations.

3. To ensure success, agency and command representatives attending the meeting must be able to speak for their respective activities and make decisions regarding the facts, conclusions, recommendations, monetary benefits, and command position and actions taken or planned.

If you have any questions concerning the finding, please contact *(POC NAME/TELEPHONE/E-MAIL/FAX*.

(Authority Line):

(Encl) *SIGNATURE BLOCK*
Title

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ANNEX F

LETTER OF AGREEMENT (DISCUSSION MEETING DOCUMENTATION)

LETTER OF AGREEMENT
BETWEEN
U.S. ARMY AUDIT AGENCY
AND
AUDITEE

(TFAR No. ____/Project No.____)

SUBJECT: Follow-up Audit of (TITLE), (REPORT NO. AA YR-###)

The following is submitted concerning each of the Tentative Finding(s) and Recommendation(s) contained in the subject audit report:

a. Recommendation A-1:

(1) (AUDITEE TITLE) concurs with the related audit observations, recommendation, and estimated monetary benefits.

(2) As recommended, (AUDITEE TITLE)personnel will (i) (EXPLAIN WHAT IS TO BE ACCOMPLISHED), and (ii) (EXPLAIN WHAT IS TO BE ACCOMPLISHED). **Target date** for completion of all necessary actions relative to this audit recommendation is (MONTH/YEAR).

b. Recommendation A-2:

(1) (AUDITEE TITLE) concurs with the related audit observations and recommendation.

(2) As recommended, (EXPLAIN WHAT IS TO BE ACCOMPLISHED). Target date for establishing this is (MONTH/YEAR).

COMMAND REPRESENTATIVE
Official Title
Date:_____

SIGNATURE BLOCK
Audit Manager (or DTM)
Date:_____

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ANNEX G

"For IR Use"

COMMAND TFAR STAFFING MEMORANDUM

MEMORANDUM FOR (Appropriate Local Staff Sections and Subordinate Commands Audit Focal Point)

SUBJECT: Army Audit Agency Tentative Finding(s) and Recommendation(s) (TFAR) (A) - (SUBJECT AREA - ASSIGNMENT CODE - 6 Digit Code)

1. Enclosed is TFAR (A) - (SUBJECT AREA) (and related draft potential monetary benefits (USAAA Form 328))* developed during the audit of (SUBJECT AUDIT), for your review in preparation for a joint meeting to discuss the audit results and formulate the command reply. (IF KNOWN):

**NOTE: add when possible monetary benefits have been identified.*

2. In lieu of written comments to TFARs under current procedures, we will hold discussion meetings to jointly cover audit results, recommendations, (OPTIONAL: monetary benefits, command position and corrective actions (**IF KNOWN**). Therefore we have scheduled the discussion meeting for (DATE/TIME/LOCATION). (**IF NOT KNOWN**) Request addressees provide their best proposed date(s) for the meeting or specify a primary staff section to reserve a conference room and notify everyone of when the discussion meeting will be held.

3. We will jointly refine the TFAR(s) during the discussion meeting to produce a final document. The final document will contain audit findings, recommendations, (OPTIONAL: monetary benefits,) command position, (and) corrective actions (and summary of disagreements (IF UNABLE TO AGREE)). Once the TFAR(s) is formulated with the command position, we will submit the document to MSC/MACOM and HQDA for appropriate review and evaluation in formulating the official Army position.

4. We cannot over emphasize the importance of discussion meetings. This will be command's best opportunity to influence wording of results, recommendations and monetary benefits. Everyone must be prepared for discussion. Also, the auditors and staff sections must be represented by someone of authority who can decide the command position on-the-spot. Here are several tips for an effective discussion meeting: (i) distribute read-ahead tentative results to all appropriate staff/POCs; (ii) read the document, identify potential points of discussion, and be prepared to discuss issues; (iii) invite appropriate decision-makers; (iv) schedule joint meeting as soon as possible (within (NUMBER) work days of receiving the read-ahead); (v) coordinate with installation,/MSC/MACOM/DA staff sections on proposed command position; and (vi) bring proposed command position to the discussion meeting

5. For additional information, contact (PROVIDE NAME OF INTERNAL REVIEW OR AUDIT FOCAL POINT) at (TELEPHONE NUMBERS/FAX/E-MAIL).

(Authority Line):

COMMAND REPRESENTATIVE

Command Audit Focal Point or Internal Review Office

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ANNEX H

JOINT AGENCY/COMMAND DECISION MEETING UPLIFT PACKAGE

SAAG-

S: (DATE AGREED UPON)

MEMORANDUM FOR (Issue individual memo to each level) MSC/MACOM and the DA Audit Focal Points

SUBJECT: Command Position on Tentative Finding A - (AUDIT TITLE - ASSIGNMENT CODE - 6 Digit Code)

1. Enclosed is tentative finding A - (SUBJECT AREA) (OPTIONAL: and related draft potential monetary benefits--(USAAA Form 328)), developed during the Audit of (SUBJECT AREA). These document contain the audit results and local command position developed during a discussion meeting held on (DATE).

2. The finding outlines actions that the audited Command agreed (or disagreed) to take in response to the recommendations. Where the audited activity fully agrees, the installation's response becomes the official Army position, if MSC/MACOM or DA levels also agree. If MSC/MACOM, and DA staffs disagree with the installation's position the audit team will schedule appropriate discussion meetings to establish the MSC/MACOM and DA position.

3. In accordance with revised audit staffing procedures, request that you advise (PROVIDE NAME), within (NUMBER OF DAYS), whether you agree or disagree with the installation's position. To expedite the process, we encourage maximum use of informal responses. You may report your position via telephone at (TELEPHONE NUMBER/FAX/E-MAIL). We ask that you also share your position with the other installation, MSC/MACOM, and DA activities identified in this memorandum. If the Agency receives no response within (NUMBER OF DAYS) days, the audit team will incorporate the installation's comments into draft report as the official Army position.

4. For additional information from (LOCATION of ACTIVITY), contact (USAAA POC) at (TELEPHONE/FAX/E-MAIL) or (IRAC POC) at (TELEPHONE/FAX/E-MAIL).

(Authority Line):

(Encls)

DIRECTOR, STAFF SECTION
(OR CHIEF, INTERNAL REVIEW)

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ANNEX I

AGENCY DRAFT REPORT MEMORANDUM

SAAG - Office Symbol

S: (DATE AGREED UPON)

MEMORANDUM FOR (MSC/MACOM and DA Audit Focal Points)

SUBJECT: Draft Report, Audit of (AUDIT TITLE - ASSIGNMENT CODE - 6 Digit Code)

1. Enclosed is a copy of the draft report on the subject audit performed pursuant to AR 36-5.

2. The finding(s) and recommendation(s) contained in the draft report were discussed in tentative form for review and comment during the audit. The comments and command responses to the recommendations from the installation, MSC/MACOM, and DA activities have been incorporated into the draft report.

3. The draft report presents our observations, conclusions, recommendations, and command's responses and target dates for actions planned (OPTIONAL: and the potential monetary benefits shown on the enclosed USAAA Form 328). The USAAA Form 328 is a draft that isn't considered final until the final report is signed.

4. Please review the reported conclusions, recommendations, target dates, potential monetary benefits, and the command replies. This will be the last opportunity to comment on the report before it's published. Keep in mind the command comments in the draft report will be the official Army position when the report is published.

5. Any comments that you have concerning the subject audit may be discussed at the exit conference, if one is desired. Please contact us to schedule the exit conference. If an exit conference is not warranted, please provide us your comments within (NUMBER OF DAYS AGREED TO) of this memorandum. The point of contact for this draft report is (USAAA AM/AIC or DTM at TELEPHONE NUMBER/FAX/E-MAIL).

(Authority Line):

SIGNATURE BLOCK
(Title)

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USAAAR 36-40

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA Regulation NO. 36-40 **31 March 1998**

Audit

THE WORKLOAD SURVEY

Purpose

Applicability

References

Definitions

Responsibilities

Procedures

Appendix A - Workload Survey Procedures

Appendix B - Some Potential Problem Areas

Appendix C - Some Indicators of Possible Fraud

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1. PURPOSE. The purpose of this regulation is to provide guidance on planning, performing, and reporting workload survey work performed to obtain information on an installation, activity or function.

2. APPLICABILITY. Guidance contained in this regulation is applicable to all surveys done for the purpose of gathering general information on an installation, activity or function.

3. REFERENCES:.

USAAAR 27-1 Legal Issues, Policy and Procedures

USAAAR 36-1 The Army Management Control Program

USAAAR 36-75 Auditor Responsibilities

USAAAR 36-91 Audit by objectives

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4. DEFINITIONS. Surveys may be of differing types depending on the purpose they are to serve:

a . General Survey. The general survey is an information-gathering effort to obtain knowledge of an Army system, activity, function or program. It is not intended to disclose problems but merely to pinpoint broad areas and issues that may prove to be appropriate for future audit coverage.

b. Workload Survey. The purpose of a workload survey is to research complex or complicated areas such as mobilization planning, troop stationing, intelligence, support functions, etc., for the purpose of developing a plan for providing adequate audit coverage through a mix of multilocation audits, single-location audits, or both. The results of this type of survey are used for long-range planning of Agency audits.

5. RESPONSIBILITIES. Specific auditor responsibilities are set forth in USAAA Regulation 36-75. Overall responsibilities for the workload survey process are summarized as follows:

a. Supervisors. Audit supervisors are responsible for establishing overall workload survey direction and goals. Normally, the supervisor decides when survey results may be reported as final.

b. Auditors-in-Charge. The auditors-in-charge are responsible for directing the research and development of the workload survey, directing the subsequent day-to-day survey accomplishment, and summarizing the results of the survey.

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6. PROCEDURES. The workload survey procedures contained in Appendix B are designed to provide Agency management with sufficient information to make a rational decision on how to plan for future audits in the area surveyed.

FOR THE DEPUTY AUDITOR GENERAL:

DONALD C. CRESS
Acting Program Director
Organizational Effectiveness

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APPENDIX A

WORKLOAD SURVEY PROCEDURES

Planning

Adequate planning is essential to the successful completion of the workload survey. The auditor-in-charge should be given time to plan and organize the effort, and normally begins with a review of data in the audit background files maintained in the cognizant Agency office. Information which may be available includes:

- Descriptions of the mission, organization, operating procedures, accounting methods, funding, internal controls, and other related data including organizational and operational changes since the prior audit.

- Changes in audit approach and coverage recommended at the conclusion of the prior audit.

- Problems that may have been encountered in accomplishing any prior audit.

- Information concerning installations or organizations that are similar to the entity planned for survey which may be helpful in selecting specific areas for survey consideration.

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1. Research. The survey team should review prior audit reports that were issued by the Agency, General Accounting Office, or others pertaining to the areas to be surveyed. This information will assist in gaining familiarity with the activity's operations and to obtain data for use in developing the tentative workload survey report. Sources to be reviewed include:

- The Agency Management System provides a ready reference of issued audit reports by functional area.

- The DODIG's Automated Reports Tracking System (ARTS) contains audit reports issued by the DODIG and General Accounting office.

- Pertinent Army Regulations and other directives on the areas to be surveyed.

2. Survey Plan. The auditor-in-charge should develop a tentative survey plan for each survey area. Based on the survey plan, survey guides should be prepared with specific survey steps for each area.

3. Staffing and Time Estimates. The initial staffing should be the minimum necessary to accomplish the survey. Estimated auditor-days and a timeframe for accomplishing the survey should be established. The auditor-day and amount of time necessary for an adequate survey will vary due to (i) mission complexity of the activity, function or entity, (ii) geographical dispersion and number of locations, and (iii) the assigned auditors' training, experience, and knowledge of areas being examined.

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Work at the Audit Site

4. Entrance Conference. The entrance conference is usually the first opportunity to discuss the tentative workload survey with commanders. Modifications may be required based on changes in the activity's mission, or there may be additional areas of concern which should be covered in the survey. It is also important to stress the purpose of the survey, and the general approach.

5. Survey Approach. The typical approach in performing a workload survey is to make a broad appraisal of what an activity does and how it operates. To do this, Agency auditors should use the "top-down" approach by beginning the survey at the highest management level to obtain the senior executive perspective of the activity's goals and how they are to be attained. A key person is the director for information management who can provide information on automated systems, flow of information, and operations. Auditors should determine what procedures and policies lower management levels have implemented to ensure the goals are attained.

6. Planning Topics. The tentative audit objectives should be defined by ranking the various mission areas in order of materiality and significance based on current information.

- Much of the workload survey should be devoted to determining which areas are material and significant. With limited audit resources, it is necessary to place emphasis only on the most important and significant areas; a judgment must be made as to what is significant. As with most judgments, the decision will usually be based on the experience of the auditors.

- To help ensure the areas selected for future audit topics are the most material and significant, auditors should use the "worst-case" analyses (USAAA Regulation 36-91). In the "worst-case" scenario, auditors must consider the impact that gross mismanagement of each area would have on the overall mission or program accomplishment. If there is only a minor potential adverse effect, that area is probably not one of major importance.

- Similar consideration must be given to the impact gross mismanagement of the entire area would have on the Army. Through these theoretical assumptions, auditors will gain an indication of the significance of the major mission areas and be able to identify each key sub-area or activity to be included in the survey report.

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7. Required Information and Survey Techniques. The auditor must, as a minimum, obtain information that shows (i) the organization's mission, (ii) the organizational structure and working relationship between functional elements (including any contemplated or planned changes), (iii) available resources (personnel, equipment and funding), (iv) operating methods and procedures, and (v) known problem areas or areas of management concern. The following paragraphs explain these areas and additional information that may be needed, and some of the more common techniques

used.

a. Studies and Audit Reports. During the workload survey, the auditor should obtain information on past, current, and planned management studies, Inspector General reports, internal audits and other reports applicable to the area or function to be surveyed. These will assist in determining the scope of any subsequent audit. The auditor should also contact local internal review, investigative, and inspector personnel to determine if there are any problem areas or ongoing investigations in the areas currently being surveyed.

b. Organizational Structure. A study of organization charts and position descriptions will provide information on how the activity is organized, the key personnel, and how duties and responsibilities are assigned. Also, the auditor must become familiar with the general physical layout and the location, purpose, and size of any field offices. By reviewing all items as a composite group, the auditor can make a fair assessment of the organizational structure and its effectiveness in mission accomplishment.

c. Discussions with Officials. One of the initial steps in a workload survey is to contact organization officials. They may identify problem areas or suggest that the auditor look into areas that concern both the auditor and manager but on which command lacks reliable information.

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- A briefing on the mission and functions or each activity or entity should be obtained. This will assist the auditor in gaining an understanding of how the organizational elements relate to each other. In addition, information should be obtained on the authority and responsibility of each element.

- Contact with middle-management operating and technical personnel is helpful in understanding organizational operations and procedures. Auditors should determine what automated systems are involved in the areas being surveyed and the best way to use them to identify problems.

- The procedures described to the auditors should be documented and compared with the procedures outlined in applicable regulations and written standing operating procedures. This will permit the auditor to determine if an activity's mission, as shown in official documents, is consistent with the mission as management understands it and as implemented.

d. Managerial Reports. An index of all the activity's management reports (manual and automated) should be obtained to identify what information is

available to management, such as budgets, operating statements, department cost reports, and out-of-stock and excess stock reports. The reports can identify the material and significant areas.

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e. Resources. The functions with the largest percentage of resources are usually key mission areas. Thus, the review of information, equipment records, and financial information is very important.

- The number of employees (authorized and on-board) and where they are assigned should be obtained from personnel staffing documents.

- Information on the types, value and location of physical assets owned or used by the activity should be documented.

- Financial information obtained should include areas of large expenditure; various levels of approving authority; month-to-month tabulations of budgeted and actual expenditures; types of costs by operating periods; and prior-year, current, and forecasted budgets.

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A review of these documents will help put the magnitude of available resources in perspective. Significant changes in these data from one year to another, especially for forecasted years, could indicate significant changes in mission or priorities for mission accomplishment.

f. Operating Methods. Onsite observations are valuable in assisting the auditor to gain a quick working knowledge of an organization's procedures and operations. A walk-through of the physical plant and observation of specific activities or procedures will enable the auditor to determine if published directives are being followed and to assess the need to change existing procedures. The basis for variations from existing procedures should be obtained from the operating supervisors. Also, the auditor should be alert to signs of waste, inefficiency, or ineffectiveness that indicate weaknesses or conditions warranting further examination -- such as backlogs, excess equipment or material, idle personnel, extensive repair or rework on production operations, outdated work methods and machines, or poor working conditions.

g. Flowcharts. A flowchart of procedures followed and documents processed is a useful way to learn operations and surface possible problem areas. Flowcharts may already be part of the command's internal control documentation.

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8. Additional Sources. Additional sources of information that may show indications of potential problem areas are (i) charts used in briefings, (ii) the activity's internal control checklists and periodic reports, (iii) recurring managerial reports, (iv) prior special reports and studies, and (v) any other correspondence or documents indicating concerns of management and operating personnel.

9. Management Control Considerations. During the workload survey auditors should identify key management controls. When incorporated into the workload survey report, it will help show potential problems in each area. Key management controls are those which, if not implemented, will likely result in major negative effects in the operating areas the audit objectives cover. Key management controls can be identified by reviewing:

- management control checklists
- regulations
- standing operating procedures
- prior audit reports

USAAA Regulation 36-1 contains Agency policies and procedures related to evaluating and reporting on management's implementation of AR 11-2 concerning the Army's management control program. Each Agency audit must comply with the requirements of this regulation concerning information to be obtained.

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Analysis of Workload Survey Results

Identifying and gathering the necessary information is the easier part of the workload survey. The challenge lies in analyzing that information and recognizing the potential significant problem areas. Appendix C summarizes some of the potential problem areas; Appendix D lists some of the warning indicators to help auditors identify possible fraud situations. The Army is complex; elements can function for great periods of time without an awareness of the interface with other elements. The auditor needs to understand the activity. Thus, the auditor must ensure the data obtained is organized, indexed, and summarized in a logical and methodical manner. This process is essential to a successful workload survey.

10. Conclusions - Potential Problem Areas. At the completion of a workload survey, the auditor should have gained enough knowledge to clearly identify important issues and potential problem areas. The survey report should include those areas where significant deficiencies are indicated but must be explored further during an audit. To the extent data is available, the report on potential problem areas should include:

- The potential finding - including support already developed, or the auditor's opinion of the possible finding which may result from further verification.

- Possible cause - information on the causes or possible causes of the condition as well as comments on problems which may occur in developing the causes.

- Possible effect - data already known should be included, or an opinion as to actual or potential effect.

- Probable recommendations - to the extent possible, recommendations or the probable recommendation envisioned, should be included.

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REPORTING WORKLOAD SURVEY RESULTS

In order to provide a record for future reference the auditor-in-charge will prepare a formal report of the workload survey results. All those involved with and responsible for the survey must be made aware of the results. Accordingly, timely summarization of the results is essential.

- When survey results indicate further audit work should be performed, the report should include (i) the basis and rationale for examining potential problem areas in more depth, (ii) estimates of time and personnel requirements, and (iii) estimated target dates for conducting an audit.

11. Format. A workload survey report should be broken down by significant or functional areas and include, as a minimum, the following for each area:

a. Title. The title of the report will be "Workload Survey Results" followed by the title of the area.

b. Introduction. The Introduction will include the dates when the survey was started and completed.

c. Background. This paragraph should discuss the importance of the mission, objectives and goals, and the amount and significance of the resources allocated to the function. The paragraph should also include such information as:

- Any unusual data, such as why the survey was scheduled (for example, requested by command).

- Prior coverage of the subject, including other reports recently issued.

The information presented in this paragraph can be used in conjunction with the potential problem areas disclosed during the current survey to determine if additional audit effort is warranted.

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d. Scope of Area. This paragraph can be a narrative discussion or a

tabular list of activities and functions .

e. Results of Survey. All summaries of survey results will include a discussion of individual potential problem areas identified during the survey. The degree of detail provided in the written discussion of each potential problem area is dependent on the size and complexity of the survey, the significance of the potential problem area, and the professional judgment of the auditors. Data which should be included in the discussion of each potential problem area follows:

- A full description of the potential problem including the possible effect and probable cause. (The cause and magnitude, and thus, the recommendations and total effect, may not be readily apparent.)

- Significance (summarize worst-case scenarios to document significance).

- Suggested audit approach (specific functions to be covered and audit sites).

-Estimated auditor-days and elapsed days for the audit.

-Need for audit assistance, if applicable.

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f. Recommendations. The report should include a recommendation as to the course of action to follow. If the recommendation is to plan the area for audit, a reevaluation of total resources required may be necessary. Also, realistic auditor-day and elapsed day requirements will be formulated for each of the areas recommended for audit. After calculating the resource requirements, the recommendations should be discussed with the supervisor.

g. Audit Objectives. The proposed audit objectives that result from the survey should be stated in the report. Proposing tentative objectives will facilitate preparation of the subsequent detailed audit program.

12. Classified Data. When there is classified data to be included in the survey report, it will be discussed in a separate classified annex to the report.

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APPENDIX B

SOME POTENTIAL PROBLEM AREAS

Lack of essential controls.

Property or equipment unaccounted for.

Duplication of effort or records.

Excessive backlogs or none where some would be expected.

Critical inspection, after-action or internal reports.

Ineffective use of people or resources.

Responsibility for duties not clearly assigned.

Unnecessary reporting/excessive copies of reports.

Increases in volume of returns and allowances.

Use of manual methods in place of automated procedures.

Cumbersome organizational patterns.

Employees without the background, education or training to do the work.

Excessive rework costs, critical field service reports.

Unbudgeted purchases/expenditures.

Lack of standards, goals, or budgets to work toward.

Unclear, incomplete instructions.

Records or reports seldom consulted or serving no useful purpose.

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APPENDIX C

SOME INDICATORS OF POSSIBLE FRAUD

Difficulty in obtaining audit evidence for unusual or unexplained entries, incomplete or missing documentation and authorizations, and alterations of documents and accounts.

Inadequate controls over cash accounts or credit cards.

Unexplained fluctuations in material account balances, physical inventory variances, and inventory turnover rates.

Problems encountered in performing an examination such as delay situations or evasive or unreasonable responses to audit inquiries,

Widely dispersed locations accompanied by highly decentralized management and inadequate reporting systems.

Known continuing weaknesses in internal controls over access to computer equipment or electronic data entry devices.

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DEPARTMENT OF THE ARMY
OPERATIONS CENTER, U.S. ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION 36-53 22 DECEMBER 1997

Audit
WRITING AUDIT REPORTS

Purpose

Applicability

- Reports This Regulation Covers
- Reports This Regulation Doesn't Cover

Alternative Formats
References

- Required Publications
- Related Publications

Related Guidance

- USAAA Regulation 36-55 (Correct and Preferred Usage in Audit Reports)
- USAAA Report Templates (USAAA Intranet)

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Definitions
Policy

- Contents
- Qualifying the Statement on Auditing Standards
- Audit by Objectives
- Suspected Criminal Conduct, Wrongdoing, or Mismanagement

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- Appendixes D Through M
- Appendixes N Through T

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Use Natural Modification (Avoid Pyramiding)

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Appendix E - Letter of Transmittal for the Objective (Preferred) and Finding (Alternate) Formats

Formal Audit Reports for the Objective (Preferred) Format

Addressee(s)
First Paragraph
Second Paragraph

Additional Paragraphs (More Than One Addressee)
Last Paragraph
Signature and Letterhead Stationery
Footer
Additional Guidance

Top

Formal Audit Reports for the Finding (Alternate) Format

Addressee(s)
First Paragraph
Second Paragraph
Additional Paragraphs (More Than One Addressee)
Last Paragraph
Signature and Letterhead Stationery
Additional Guidance

Advisory Reports

Addressee
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Special Reports

Addressee(s)
First Paragraph
Additional Paragraphs (More Than One Addressee)

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Contents Page for the Finding (Alternate) Format

Summary of the Audit
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How to Prepare "Observation(s)"
How to Prepare "Results in Brief"

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Cause(s)
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Compliance With Laws and Regulations

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Presenting Your Conclusions
How to Present Positive Conclusions
How to Present Mixed Conclusions
How to Present Negative Conclusions
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Discussion
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Annexes with Classified Material

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Appendix P - Standard Report for the Finding (Alternate) Format

Appendix Q - Memorandum Report (Details in Basic Memorandum)

Appendix R - Memorandum Report (Details in Enclosure to Memorandum)

Appendix S - Memorandum Report (In the Objective (Preferred) Format

Appendix T - Special Report

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WRITING AUDIT REPORTS

1. **PURPOSE**. This regulation has the formats for Agency audit reports. If you follow these formats, you will be consistent in reporting audit results and your audit reports will comply with the Government Auditing Standards.

2. APPLICABILITY. This regulation will help you write most of your audit reports.

a. Reports This Regulation Covers. This regulation covers:

(1) Reports for a single-location audit.

(2) Reports for a multilocation audit.

(3) Memorandum reports.

(4) Advisory reports.

(5) Special reports.

b. Reports This Regulation Doesn't Cover. This regulation doesn't cover:

(1) Reports that stay within the Agency--such as audit research studies and workload surveys.

(2) Reports on commercial activities see USAAA Regulation 36-151 (Guides for Reviewing Commercial Activity Cost Comparisons).

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3. ALTERNATIVE FORMATS. The formats in the regulation may not satisfy all reporting situations auditors encounter. If the formats in this regulation don't allow you to best present audit results, we encourage new ideas. However, before using alternative formats, you must first get approval from the cognizant Deputy Auditor General.

4. REFERENCES

a. Required Publications

Government Auditing Standards

- **AR 25-50**
  Preparing and Managing Correspondence
- **AR 36-2**
  Audit Reports and Followup
- **AR 36-5**
  Auditing Service in the Department of the Army
- **AR 36-7**
  Professional Audit Standards
- **USAAA Regulation 1-1**
  Delegation of Signature Authority
- **USAAA Regulation 36-1**
  The Army's Management Control Processing
- **USAAA Regulation 36-54**
  Procedures for Processing, Distributing, and Finalizing Audit Reports
- **USAAA Regulation 36-91**

Audit by Objectives

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b. Related Publications

- **AR 11-2**
  Management Control
- **AR 25-55**
  The Department of the Army Freedom of Information Act Program
- **AR 37-1**
  Army Accounting and Fund Control
- **AR 190-40**
  Serious Incident Report
- **USAAA Regulation 27-1**
  Legal Issues, Policy, and Procedures
- **USAAA Regulation 36-31**
  Entrance and Exit Conferences and Audit Announcements
- **USAAA Regulation 36-61**
  Transmittals of Tentative Findings and Recommendations and Draft Audit Reports
- **USAAA Regulation 36-78**
  Relationships With Commanders and Organizations External to USAAA
- **USAAA Regulation 36-100**
  Statistical Sampling for Audits
- **USAAA Regulation 36-101**
  Analytical Techniques

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5. RELATED GUIDANCE. Two additional products will help you prepare your reports.

a. USAAA Regulation 36-55 (Correct and Preferred Usage in Audit Reports.) This regulation helps you with the details of writing, covering such matters as when to write out numbers and when to use numerals instead.

b. USAAA Report Templates. These templates, located on USAAA Intranet, give detailed help on typing, covering such matters as how far to indent a heading and how much space you should leave above and below it.

6. DEFINITIONS. Appendix C defines the types of audit reports that this regulation includes.

7. POLICY. You must prepare your audit reports to meet (i) the Government Auditing

Standards of the Comptroller General and (ii) the Professional Audit Standards of AR 36-7. The Agency performs financial audits (formerly financial and compliance) and performance audits (formerly economy, efficiency, and program results).

a. Contents

(1) The standards require you to include the following elements in your audit report:

- Objectives, scope, and methodology of the audit.
- Audit conclusions (findings) to include condition, cause, and effect.
- A statement on auditing standards.
- Material weaknesses in management controls.
- Significant instances of noncompliance with laws and regulations.
- Recommendations for improvement.
- Views of the audited activity (command comments).
- Noteworthy accomplishments of the audited activity.
- Issues requiring further study.
- A statement about information you omit because it is privileged or confidential or because it is in a separate report you sent to management.

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(2) The standards also require reports to be:

- Factual, well supported, convincing, objective, tonal, clear, simple, concise, and complete.
- Positive and emphasize improvements rather than criticize the past.

b. Qualifying the Statement on Auditing Standards. If you didn't follow an applicable standard, you must qualify the statement on auditing standards. For example, if you and your audit staff didn't collectively have all the technical skills needed to accomplish the audit objectives and didn't obtain the services of a technical expert with those skills, the audit didn't meet a required standard. If so, the statement on standards in the Audit Scope and Methodology section of the report must:

(1) Explain why you and your staff didn't follow the required standard.

(2) Describe the effect that the deviation had or may have on the audit results.

c. Audit by Objectives. In preparing your audit reports, you must also adhere to the concept of audit by objectives in USAAA Regulation 36-91 (Audit by Objectives). Briefly this regulation requires that:

(1) The specific audit objectives should relate to the key management areas of the function or activity under audit.

(2) The audit report must include a conclusion on the general objective (if there is one) and on each specific objective. Conclusions--positive, mixed, and negative--should contain condition, cause, and effect.

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d. Suspected Criminal Conduct, Wrongdoing, or Mismanagement. AR 36-7 requires that you be alert to situations that suggest fraud or illegal acts. If you find these situations, report them in writing to the appropriate commander or manager. You will find guidance for reporting the suspected acts--criminal conduct, wrongdoing, or mismanagement--in:

(1) Government Auditing Standards.

(2) USAAA Regulation 27-1 (Legal Issues, Policy, and Procedures).

8. ORGANIZATION OF THIS REGULATION. The remainder of the guidance on preparing audit reports is in the appendixes.

a. Appendixes A Through C. These appendixes describe the writing style for the reports, other concerns you may have as a writer (such as using abbreviations and footnotes), and the types of audit reports.

b. Appendixes D Through M. These appendixes give detailed information on the various parts of reports. For example, Appendix E discusses letters of transmittal, and Appendix H discusses objectives, conclusions, recommendations, and comments for the objective (preferred) format.

c. Appendixes N Through T. These appendixes are examples of each type of audit report. For example, Appendix N is an example of a single location audit report or site report for a multilocation audit for the objective (preferred) format.

FOR THE AUDITOR GENERAL:

/signed/
DONALD C. CRESS
Acting Program Director
Organizational Effectiveness

THE PROPONENT OF THIS REGULATION IS THE DIRECTORATE OF AUDIT POLICY,

FOLLOWUP AND TRAINING. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PMZ.

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APPENDIX A

STYLE: PLAIN ENGLISH

You must write your reports in plain English--the same style of writing that AR 5-50 (Preparing and Managing Correspondence) requires. Essentially, plain English urges you to write the way you talk (in a polite and organized way).

If you are briefing a commander on the audit you've just finished, what style would you use? If you're looking the commander in the eye, you'd feel strange if you tried to speak the words that appear in overly formal bureaucratic writing, wouldn't you? Instead, you'd use spoken language. But you'd take care to be polite, organized, and efficient.

The style you would use in briefing a commander (or any other important person) is the same style you should use in your reports. That is, you should write your reports in plain English.

Some people mistakenly believe that "writing the way you talk" reduces communication to kindergarten language. But that would be true only if you talk like a kindergartner. The advice is to write the way you talk--or would talk--to the busy people who will read your report.

In talking, we can capture all the complexities of our audits. At the same time, we can talk--and write--with the politely efficient tone our listeners (and readers) expect.

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To write more the way you talk, use these characteristics of plain English:

- Personal pronouns--especially "we" and "our."
- Ordinary words--"carry out" instead of "implement."
- Verbs instead of nouns--"develop" instead of "the development of."
- Contractions--"don't" instead of "do not."
- A variety of punctuation--including colons and dashes.
- Active voice--"we recommend" instead of "it is recommended that."
- Natural modification (avoid pyramiding)--"the workforce the directorate has temporarily assigned" instead of a pyramid of words like "the directorate-assigned temporary workforce."

The rest of this appendix covers each characteristic in more detail.

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1. USE PERSONAL PRONOUNS

We'd have trouble talking for even a minute without using such personal pronouns as "we" and "you." In fact, when you talk with commanders about the results of your audit, you use these pronouns often. You should also feel comfortable using pronouns in your report.

The results? Your report will be easier for others (including your supervisors) to read--and easier, too, for you to write.

"**We**," "**us**," and "**our**" are the most important pronouns for you to use in your reports. They clearly represent the voice of the Army Audit Agency--as you and all your supervisors speak for it on paper.

Use "**you**," "**your**," and "**yours**" only in the letter of transmittal (when referring to an addressee). The rest of the report has a wide audience, so the word "you" wouldn't have a clear reference.

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2. USE ORDINARY WORDS

Use the words in your speaking vocabulary--words like "use" instead of "utilize" and "before" instead of "prior to."

Scientists have found that simpler words are easier for all of us to understand no matter how smart we are and even though we know perfectly well what the more difficult words mean.

Appendix A of USAAA Regulation 36-55 (Correct and Preferred Usage in Audit Reports), has a list of bureaucratic words and simpler substitutes.

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3. USE VERBS INSTEAD OF NOUNS

Professional writers prefer verbs over nouns--just as most of us do when we talk. In fact, they use the term "smothered verb" for nouns that could easily be verbs. In effect, the verb is "smothered" into a less effective word--a noun.

For example, say "the contracting officers corrected the problem" instead of "the correction of the problem has been accomplished."

And say "we reviewed the documents" instead of "the review of the documents has been conducted."

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4. USE CONTRACTIONS

Contractions have two advantages in audit reports:

- They make the tone of the writing less negative: "the directorate didn't" is slightly less accusing than "the directorate did not."
- They change the rest of the writing around them. People writing with contractions tend to write in spoken English--with simpler words, active voice, and so forth. In effect, contractions are "the little thing" that does "the big thing."

The contraction is the key that unlocks the door to plain English, but don't overdo it.

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5. USE A VARIETY OF PUNCTUATION

Most nonprofessional writers use only the period and the comma. But the other marks of punctuation--especially the dash, colon, parentheses, and underlining--help give the right emphasis to what you're saying. These other marks of punctuation substitute for the hand gestures and voice inflection we use when speaking. Use these marks in your reports when needed.

6. USE ACTIVE VOICE

The Army regulation on writing, AR 25-50, emphasizes active voice as one of the two most important writing changes the Army needs to make (the other key change is starting with the main point--another good idea).

Passive voice tends to leave out important information:

> The authorization was sent. (Who sent it?)

Active voice, however, tells us who did the sending:

> The contracting officer sent the authorization.

People writing in passive voice tend to leave out that important information--in sentence after sentence.

Passive voice is not wrong, but, if you use it often, your writing is almost certainly drudgery for the reader.

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7. USE NATURAL MODIFICATION (AVOID PYRAMIDING)

Don't stack up modifiers unless you absolutely have to. In other words, don't say "the reported maintenance and repair backlog." Instead, say "the reported backlog of maintenance and repair."

Often you have no way around these pyramids of modifiers. For example, there's no other way to say "automatic data processing equipment."

Granted. Still, your task is to find ways around pyramids whenever you can. And you can find a way much of the time.

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APPENDIX B

OTHER WRITING MATTERS

Appendix A explains the plain English style of writing. This appendix covers some details that are also important for you to know as you write your report.

1. PURPOSE OF AUDIT REPORTS. The basic purpose of an audit report is to outline a corrective-action program for the audited activity and to document the audit results for others to use.

2. THE AUDIENCE FOR THE REPORTS

Many kinds of people read our reports. As you write your reports, keep in mind that all these people use them:

- Managers in the Army who must act on the recommendations.
- Top officials (in the Army and the rest of the Defense Department) who identify problems that could have wide repercussions.
- Congress.
- Instructors in the Army who use the reports as case studies and other training aids.
- Other auditors and inspectors (internal and external).

Because your audience is diverse--including important readers who may not be familiar with the details of your audit--you must explain your results carefully.

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3. BALANCED REPORTING

Because many people read your report, you must be sure you don't concentrate solely on the problems you find.

Of course, one goal of auditing is to find ways for the Army to improve. But for people to improve, they must know what they are doing well. So in writing your report, you must let people know what is working.

Balanced reporting, then, includes both what's right and what's wrong. The goal is a balanced, accurate, even-handed picture of how an activity is performing its mission.

Balanced reporting also helps you convince managers in the Army to make the changes they need to make. By showing that you understand the whole picture--the good along with the bad--you show a fuller understanding of an activity.

This doesn't mean that you must find good things if they aren't there. It does mean, though, that you must not forget to include in your report the good things that are

there--even to highlight them whenever appropriate. The preferred format will help balance reports because you must discuss condition, cause, and effect for positive, mixed, and negative conclusions.

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4. THE TONE OF YOUR REPORT

"Tone" is the attitude that you, as a writer, express. In talking, we can express the entire range of attitudes: impolite chattiness, boredom, anger, chilly distance. What is the proper tone for audit reports?

Again, imagine you are briefing a commander on the audit you've just finished. The tone you'd strive for would be polite efficiency. That is the same tone you use in your reports.

In the briefing to the commander, an argumentative or angry tone would be out of place. Such tones are also out of place in the reports you write.

5. THE APPEARANCE OF YOUR REPORT

The final report must look good. Therefore, the Agency will give all reports a final, documented review after they are reproduced. The cost to correct even small errors such as spelling and blurry spots is trivial compared with the total cost of the entire audit.

Give your report some "white space." Keep your paragraphs as short as possible--about 12 to 15 lines is a good maximum length. Be sure to divide content at logical places. And consider using "bullets" for subparagraphs for a series of items that are parallel in type of contents.

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6. TITLES AND HEADINGS FOR REPORTS

There are two qualities of good titles for a report and the headings within the report:

- They inform people who know nothing about the audit.
- They aren't derogatory.

a. Titles and Headings That Are Informative. The titles and headings should tell readers what the report covers. For example, "Processing Requisitions" is too brief. A better version would be "Processing Requisitions for Spare Parts for Armored Vehicles."

b. Titles and Headings That Aren't Derogatory. Titles and headings also shouldn't imply problems. Don't say "Unneeded Computer Equipment." Instead, say "Requirements for Computer Equipment."

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7. ABBREVIATIONS

Although abbreviations can be useful shorthand for those in the know, they can turn writing into alphabet soup for those who aren't. Because audit reports usually have a wide audience, you must use very few abbreviations.

a. Abbreviations in the Letter of Transmittal. You may use only these two abbreviations in a letter of transmittal:

- U.S. for "United States" (but only when it's a modifier: "U.S. Army Materiel Command").
- DC for "District of Columbia."

b. Abbreviations in the Rest of the Report (Including Headings). You may use five more abbreviations in the rest of the report:

- AR for "Army Regulation."
- DA for "Department of the Army."
- DOD for "Department of Defense."
- CONUS for "continental United States."
- FY for "fiscal year" (but only when it has a year after it: "FY 97").

c. Exceptions: Abbreviations in Illustrations and in Legal Citations. Sometimes illustrations such as charts, tables, and schedules can get cluttered, so you may use other abbreviations in them. You must, however, explain those abbreviations in footnotes following the illustration.

You may also use certain abbreviations when citing legal materials in a report. For the abbreviations you may use, see USAAAR 36-55 (Correct and Preferred Usage in Audit Reports), Appendix J.

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d. Using Substitutes for Abbreviations. What should you do instead of using abbreviations? Try to find a key word in the longer version that can clearly take its place. For example, "the division" could replace "the U.S. Army 55th Airborne Division" unless your report covers more than one division. In that case, use a slightly longer version: "the 55th Airborne Division." The extra words may take longer, but they're much easier on uninformed readers.

Here are some other easy substitutes:

- "The directorate" for "the Directorate of Facilities Engineering."
- "The activity" for "the Selection and Acquisition Activity."
- "The Tactical Computer System" for "the Tactical Army Combat Service Support Computer System."

e. A Caution on Using Shorter Substitutes. If you're using a substitute

(like "the directorate") for a longer name (the Directorate of Facilities Engineering), be sure the reader can reasonably understand it without having memorized the connection earlier in the report.

For example, you wouldn't want to use only the short version in the conclusion to Objective E if the last place you mentioned it was in Objective B. Instead, use the longer version once more, and then start using the shorter version again.

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8. ILLUSTRATIONS

We all know the value of illustrations (such as charts, tables, schedules, and photographs)--so use them in your report!

Here are some attributes of illustrations. They:

- Should be better than words.
- Should not duplicate what is said in the text.
- Should be uncluttered, legible, and easy-to-read.

In using illustrations, be sure the text just before them tells the reader what to look for. For example, you might have a leadin like this: "Notice that the workforce consistently worked at least 30 minutes longer than the standard workday." Then show the chart. Remember, don't use the words "above" or "below" to refer to your illustrations.

For your charts and graphics use a print size that is large enough for easy reading.

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9. NUMBERS

Make sure your readers don't get a false sense of exactness from your numbers. If you've rounded or estimated, use the right modifier: "about," "nearly," "more than," "at least," and "up to" are some examples.

USAAA Regulation 36-55 gives you more information on numbers.

10. REFERENCES TO DATED EVENTS

Because time passes from the first draft of an audit report until the report is final, you must be sure your references to dated events remain accurate. For example, sometimes the date of a study or corrective action may be in the future when you prepare your first draft, but it may be in the past when the report becomes final.

Therefore, get the current status of dated events at the exit conference--or later, if appropriate--and revise the final report if you need to.

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11. FOOTNOTES AND FOOTERS

Footnotes are sometimes necessary in illustrations--to allow room for the labels to fit across the page. To make the footnote symbol, simply use an asterisk. The footnote should immediately follow the information in the illustration.

Otherwise, usually avoid footnotes in the regular text of your report--they interrupt the narrative flow. Instead, include the information in the regular text of your report. But, if footnotes are the better alternative, use Arabic numbers as the footnote symbol and place the footnote at the bottom of the respective page.

Use footers–information placed under a line at the very bottom of each page–in reports with a cover but not in reports in the memorandum format. The footer should indicate the report title, number, section, and page number.

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APPENDIX C

TYPES OF AUDIT REPORTS

This appendix describes the types of reports that you will use to discuss audit results.

1. FORMAL REPORTS

Reports on Army activities normally will be formal reports in the objective (preferred) format. You will also use a formal report in the objective format if you:

- Curtail the audit for lack of significant adverse conditions.
- Need to issue a time-sensitive report. (AR 36-5 gives instructions on when to issue a time-sensitive report.)

Appendixes N, O, and P have examples of formal reports in both the objective (preferred) format and the finding (alternate) format. The appendixes include:

- Single-location audit or a site report for a multilocation audit in the objective (preferred) format (Appendix N).
- Multilocation audit in the objective (preferred) format (Appendix O).
- Standard report in the finding (alternate) format (Appendix P).

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Formal reports:

- Fully meet the Government Auditing Standards.
- Include your conclusions--containing condition, cause, and effect--to the audit objectives.
- Include the methodology used for the audit.
- Normally include recommendations subject to the official command-reply

process of AR 36-2 and AR 36-5.

- Can include positive reports on full-scope audits.
- Have normal distribution.

The formats this regulation discusses may not be the best way of reporting the results of certain audits. You may use a different format when the applicable Deputy Auditor General approves. Remember, other formats must meet the criteria for formal reports and the Government Auditing Standards of the Comptroller General.

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2. MEMORANDUM REPORTS

Memorandum reports report the results of limited audit efforts and certain other services the Agency provides. These include reports on:

- Commercial activity studies.
- Consulting efforts and the Commanders Audit Program.
- The Quick Reaction Audit Program.
- Requests for assistance, studies, and analyses from Army or external activities.
- Minor deficiencies ("Observations for Management Consideration" when a formal audit report has been issued).
- Audits curtailed for a lack of scope.

The contents and presentation of memorandum reports could include:

- The statement on the Government Auditing Standards.
- The methodology used for the audit.
- Objectives and conclusions.
- Suggested actions.

When performing certain other services the Agency provides (such as studies and planning), you may not have followed Government Auditing Standards. When you didn't follow the standards, use this statement:

> We made the review, in most material respects, according to generally accepted government auditing standards. And, accordingly, we tested management controls to the extent we considered necessary under the circumstances. We didn't follow certain aspects of the fieldwork and reporting standards. In our opinion, however, not following those standards had no material effect on the results of our review.

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Also, memorandum reports:

- Are not subject to the official command-reply process of AR 36-2 and AR 36-5.
- Have limited distribution.

You can write the memorandum report using either of two memorandum formats. In one format you can discuss the details the memorandum. In the other format, you can discuss the details in an enclosure (can be briefing charts) to the basic memorandum. Or you can use the objective (preferred) format. Examples of memorandum reports are in Appendixes Q, R, and S.

(NOTE: Paragraphs in reports in the memorandum format require consecutive numbers (Arabic numerals); for example, l, 2, and 3. If the paragraphs have subparagraphs, use lower case letters of the alphabet, then Arabic numerals in parentheses, then lower case letters in parentheses (a., b., (1), (2); and (a), (b) (Appendix Q)). Also, consider using "bullets" for subparagraphs for a series of items that are parallel in type of content. However, for memorandum reports with the details written in an enclosure, the enclosure doesn't require paragraph numbering and lettering (Appendix R).)

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3. ADVISORY REPORTS

Advisory reports discuss problems of wide interest. Deputy Auditors General and Program Directors are responsible for recommending the subjects for advisory reports. The subjects come from problems other reports have discussed--either multilocation audit reports or a series of single-location audit reports.

The Agency distributes the reports to commanders throughout the Army. An advisory report is designed to help commanders of activities that haven't had recent audit coverage in the areas discussed in the report.

The Auditor General signs the reports.

Advisory reports:

- Are not subject to the official command-reply provisions of AR 36-2 and AR 36-5.
- Usually have management checklists to help recipients assess their operations and management controls.
- Contain "suggested actions." Reports encourage recipients to seek and correct similar problems that may exist within their operations.
- Are for people who should be familiar with the functional areas discussed. Therefore, background material or lengthy discussions of regulatory requirements, or detailed explanations of causes are not necessary. All you need to do is to summarize the common problems, their predominant cause or causes, and their actual or potential effects, and to use a couple of good, eye-catching examples.
- Do not include the normal statement on auditing standards.
- Include the methodology used for the audit.

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4. SPECIAL REPORTS

On occasion, an audit requires a special format for reporting audit results. For example, you will usually need a special format for reporting:

- Single-issue audits made in response to requests from the Secretary of the Army, the Under Secretary, the Chief of Staff, or the Vice Chief of Staff.
- Results of such services as evaluating systems under development, researching selected aspects of a subject, or advising investigative and other activities on special problems.
- Results of nonstandard audits sent to high levels such as Congress.

The Deputy Auditors General and Program Directors will determine the report format for these audits. (See example at Appendix T.)

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APPENDIX D

COVER
FOR THE OBJECTIVE (PREFERRED) AND
FINDING (ALTERNATE) FORMATS

This appendix discusses the cover for your audit reports. We use covers for:

- Formal audit reports.
- Memorandum reports using the objective (preferred) format.
- Advisory reports.
- Special reports.
- Classified annexes to audit reports.

Memorandum reports not in the formal report format don't need covers. However, if you use the objective (preferred) format for your memorandum report, the report needs a cover.

Most advisory reports have an endorsement memorandum--from the DA functional proponent--printed on the inside of the front cover.

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Covers for all reports are light gray.

The cover shows the:

- Title of the audit.
- Location of the audit (except when the location is part of the audit title or the location is not applicable--as in an Armywide audit).
- Date of issue.
- Audit report number.

- The DA seal and the Agency's seal (side border).

(See Appendixes N, O, P, S, and T for examples.)

Under certain circumstances the cover of a report will include a release statement.

- This statement will be on the cover of all classified reports: "Release this report only in accordance with Army Regulations 25-55 and 380-5."
- If the report is for other services the Agency provides, use similar wording on the cover of the sample report: "We performed this review at the request of the _____. Therefore, we will coordinate our responses to requests for this report with _____." (See Appendix T.)
- This statement must be on the cover of all reports containing information on medical quality assurance:

  > This report contains information related to medical quality assurance. Title 10, United States Code, section 1102 prohibits the disclosure of medical quality assurance records or information. The statute provides for personal fines of up to $20,000 for each improper willful disclosure of such records or information. We are providing this report to your office solely because your office needs it to perform official duties. Do not release this report to any other office or entity except after a legal determination that the release qualifies for disclosure under the statute, title 10, United States Code, section 1102(c). Please send all requests for this report to Headquarters, Department of the Army (SAAG-PRP), 3101 Park Center Drive, Alexandria, Virginia 22302-1596.

  Whenever this statement is appropriate for the cover of a report, you must also put "FOR OFFICIAL USE ONLY" on the cover and on all pages within the report that discuss medical quality assurance matters. (See USAAAR 36-54 (Procedures for Processing, Distributing and Finalizing Audit Reports) and Appendix J, USAAAR 27-1 (Legal Issues, Policy and Procedures).)

  Contact the Office of Counsel if you need other special release statements.

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APPENDIX E

LETTER OF TRANSMITTAL FOR THE OBJECTIVE (PREFERRED) AND FINDING (ALTERNATE) FORMAT

Include a letter of transmittal in all reports with a cover. Keep your letter of transmittal brief--rarely more than one page.

1. FORMAL AUDIT REPORTS FOR THE OBJECTIVE (PREFERRED) FORMAT)

a. Addressee(s). Address the letter of transmittal to the addressee(s) of the recommendations (or suggested actions). If your audit report is positive with no recommendations or suggested actions, address the letter to the individual (by title) responsible for the command, activity, or function you audited. For guidance on how to show the addressee or addressees in the letter, use the sample letters in Appendixes N and O, and the transmittal letter template for the objective format on USAAA Intranet.

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b. First Paragraph. Identify the subject of the audit and other matters needed to introduce the report. When applicable, the first paragraph may also state that:

- The audit was part of a multilocation audit or a Defensewide audit, and we will include the results in an overall report to higher management levels. (See Appendix N for example.)
- A high-level DA official or investigative agency requested the audit. (Letters in reports of participating sites in a multilocation audit will not mention that the audit was a special request.)
- The report resulted from a situation needing expedited corrective action.

c. Second Paragraph. Include a statement on whether the command-reply process of AR 36-2 applies to the report. (See Appendixes N and O.)

d. Additional Paragraph (More Than One Addressee). For all reports in which you address recommendations to more than one addressee, identify which addressee is responsible for replying to the recommendations in the report. (See Appendix O.)

e. Last Paragraph. For all reports, include this statement, "I appreciate the courtesies and cooperation extended to us during the audit." (See Appendixes N, O, and P.)

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f. Signature and Letterhead Stationery. An Agency official must sign the letter. For guidance on signature authority, use USAAA Regulation 1-1 (Delegation of Signature Authority). Use the letterhead stationery of the individual signing the letter and without an office symbol or subject line:

- When The Auditor General signs the letter, use The Auditor General's letterhead stationery.
- When Deputy Auditors General sign the letter, use their office letterhead stationery, and use the command line "FOR THE AUDITOR GENERAL."

- When program directors sign the letter, use the letterhead stationery of their respective Deputy Auditor General, and the command line "FOR THE DEPUTY AUDITOR GENERAL."

g. Footer. The footer should include information on where to get more information about the audit and where to get copies of the report (and the Executive Digest, if applicable). (See Appendixes N, O, and T.)

h. Additional Guidance. The letter may use "you," "yours," "your," but the letter must not mention:

- Serious Incident Reports.
- Repeat conditions (findings).
- Apparent violations reportable under the provisions of AR 37-1.
- Potential monetary benefits or any other figures.

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2. FORMAL AUDIT REPORTS FOR THE FINDING (ALTERNATE) FORMAT

a. Addressee(s)

and

b. First Paragraph

Details about these sections are the same as those for the objective (preferred) format. You can find details in Appendix E and an example in Appendix P.

c. Second Paragraph. Identify the report's key sections and discuss what they include. (See Appendix P.)

d. Additional Paragraph (More Than One Addressee). For all reports in which you address recommendations to more than one addressee, identify which addressee is responsible for replying to the recommendations in the report. (See Appendix O.)

e. Last Paragraph. For all reports, include this statement, "I appreciate the courtesies and cooperation extended to us during the audit." (See Appendixes N, O, and P.)

f. Signature and Letterhead Authority

and

g. Additional Guidance

Details about these sections are the same as those for the objective (preferred) format. You can find details in Appendix E and an example in Appendix P.

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3. ADVISORY REPORTS

a. Addressee. Normally, address the letter of transmittal for advisory reports to the commander or DA Staff or Secretariat officer who has Armywide responsibility for the function you are reporting on.

b. Endorsement Memorandum. Some advisory reports have an endorsement memorandum from the functional proponent. Place this endorsement memorandum on the back of the front cover of the report.

- The addressee line of the endorsement memorandum should normally be "SEE DISTRIBUTION."
- The "DISTRIBUTION" line following the signature block will say: "Special: See the Annex (or Annex _)"--to refer the reader to the annex captioned "Others Receiving Copies of This Report."

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4. SPECIAL REPORTS

a. Addressee(s). The addressee(s) for special reports will vary depending on the subject matter or content of the report. For example, the addressee may be:

- The commander or DA Staff or Secretariat officer who requested the audit.
- The official responsible for the subject of the special report.
- The official we are directing the suggested actions to.
- The official we wish to provide the information to.

For guidance on how to show the addressee or addressees in the letter, use the sample letters in Appendixes N, O, and T.

b. First Paragraph. Identify the subject of the report and include information on the audit (for example, a requested audit or part of an ongoing or completed audit) and the report (for example, provided for information or contains suggested actions).

c. Additional Paragraphs (More Than One Addressee). If you have suggested actions for more than one addressee, add a paragraph or paragraphs to relate the suggested actions to the proper addressee. (See Appendix O for example of how to place addressee(s).)

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APPENDIX F

CONTENTS
FOR THE OBJECTIVE (PREFERRED) AND

FINDING (ALTERNATE) FORMATS

This appendix discusses the Contents page for your audit report.

1. Contents Page for the Objective (Preferred) Format. The Contents page should mirror the sections of the report and show the corresponding page numbers. Here are the sections of the report the Contents should usually include:

a. Introduction. The contents for the Introduction section should show, for example, (i) What We Audited, (ii) Results in Brief, (iii) Background, Criteria, or Authority for the Program, and (iv) Responsibilities and Resources.

b. Objectives, Conclusions, Recommendations, and Comments. The contents for this section should show each objective (in the form of a question) followed by the conclusion to the objective. The objective should be identical to the objective in the objective section in the body of the report. The conclusion generally should be identical to the conclusion section in the body of the report. Use the first, or first and second sentences in each conclusion. (NOTE: Pull the first, or first and second sentences word for word. You don't have to rewrite these conclusions.)

c. Annexes. The contents should show all annexes in the report. The annexes in the report should be in this order:

- Audit Scope and Methodology (or when applicable, Scope and Methodology of the Review) (mandatory).
- Audit information such as charts, tables, lists, and other audit details (if needed).
- Activities Included in the Audit (or Review)(if needed).
- Verbatim Comments by Command (mandatory for formal reports).
- Others Receiving Copies of This Report (mandatory for formal reports).
- Audit Team (optional).

See Appendixes N, O, and T for Contents pages for the objective (preferred) format.

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2. Contents Page for the Finding (Alternate) Format. The Contents page should mirror the sections of the report and show the corresponding page numbers. The contains will include only the title of the section and the page number.

a. Summary of the Audit. This should normally include (i) what we audited, and (ii) Objectives, Conclusions, and Command Responses.

b. General Information. This would normally include (i) Audit Scope and Methodology, and (ii) Responsibilities and Resources.

c. Findings, Recommendations and Comments. This should include the

letter and title of each finding,

d. Annexes. This should list all annexes in the report.

An example of the Contents page for the finding (alternate) format is in Appendix P.

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APPENDIX G

INTRODUCTION
FOR THE OBJECTIVE (PREFERRED) FORMAT

Each report in the objective (preferred) format has a section that introduces and summarizes the audit. The sections in the Introduction should be in this order:

- What We Audited.
- Observation(s) (if needed).
- Results in Brief.
- Background of the Audit (or Criteria or Authority for the Program) (if needed).
- Other Matters (if needed).
- Responsibilities and Resources (or Responsibilities).
- Repeat Condition(s) (if needed).
- Comments on potential monetary benefits (if needed).

An "Introduction" title page should precede the Introduction section. (See examples at Appendixes N and O.)

The rest of this appendix tells you more about each section.

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1. HOW TO PREPARE "WHAT WE AUDITED"

Keep this section brief. Describe the activity's mission or the functions that you audited to put the audit objectives in proper perspective. When the audit was limited in some way, you must clearly describe it in this section.

Next, if you did the audit as part of a multilocation or Defensewide audit, say so and tell the reader that the results will be in an overall report. Use this statement if your report is for a participating site in a multilocation audit:

> The audit was part of a multilocation audit. Therefore, we will include the results in an overall report to higher levels of management.

2. HOW TO PREPARE "OBSERVATION(S)"

This is an optional section that you usually won't need. However, if you need to describe any extenuating circumstances that prevented the activity from

accomplishing its assigned missions or functions, or describe any positive actions the activity took, you may use this section.

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3. HOW TO PREPARE "RESULTS IN BRIEF"

This section briefly describes the overall results of the audit. You should discuss the major conditions found during the audit--both positive and negative--along with the overall effect. You should also discuss any corrective actions command took during the audit to correct conditions you found.

The last paragraph should include whether you recommended corrective actions and whether command generally agreed or didn't agree with those recommendations.

If command doesn't reply--orally or in writing, see "No Command Comments," Appendix H.

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4. HOW TO PREPARE "BACKGROUND OF THE AUDIT (OR CRITERIA OR AUTHORITY FOR THE PROGRAM)"

You can include a section containing general background on the audited activity or function, on the audit itself, or on both. This section is usually appropriate in multilocation audit reports and reports on highly complex subjects. This section also:

- Helps satisfy government auditing standards for criteria--what are we measuring command's performance against.
- Explains authority for the program--why is the Army involved in this mission, function, or business.

Keep the section brief. In writing this section:

- Include only the information you need to set up the report or to establish the perspective you need on the audited activity or function. Include detailed background information that doesn't belong in audit conclusions.
- Do not include information that belongs in the "Responsibilities and Resources" section.
- Do not repeat information from this section in any audit conclusion.

(NOTE: If the reader needs background information to understand the entire audit report, include that background here. If the reader needs background information to understand only parts of the report, include the background in that section of the report.)

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5. HOW TO PREPARE "OTHER MATTERS"

Include in this section topics such as:

a. Serious Incidents. If you notified the audited activity that a serious incident (as defined by AR 190-40 (Serious Incident Report)) had or may have occurred, say that you recommended that the activity submit a Serious Incident Report, show the activity's reaction, and summarize the action the activity took or planned to take.

b. Violations Reportable Under AR 37-1. When you find a condition containing an alleged or apparent violation reportable under the provisions of AR 37-1 and decide to issue a separate audit report, mention it in this section of the overall or related report.

c. Conditions Warranting Expedited Action. When you develop a condition requiring expedited corrective action and decide to report the condition separately, mention that fact in this section.

d. Minor Conditions. When you decide to report an insignificant condition separately in a memorandum, mention that fact in this section of the overall report or related report.

e. Omissions. The Government Auditing Standards require a statement about pertinent information that you omitted from the report because you deemed it privileged or confidential or because it pertained to a potentially criminal act. Describe the nature of such information in this section, and state the laws or other basis that caused you to withhold it.

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If you issued a separate report (such as a classified report), mention the report in this section.

If you referred certain information to an investigative organization for further action, mention that fact. **Coordinate all statements about actual or alleged criminal activity with the Office of Counsel before you release the report.**

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6. HOW TO PREPARE "RESPONSIBILITIES AND RESOURCES"

This section has information on the responsibilities of the report's addressees, as related to the subject of the audit; the mission and resources of the audited command, installation, or activity--or a combination of both. The section includes:

- Brief comments on the type of command, installation, or activity and its major missions.
- A description of the chain of command for the audited command, installation, or activity.
- If you address recommendations to heads of activities or field operating agencies below the major command level, identify the major command, DA Staff, or Secretariat functional proponent office responsible for making sure that

corrective actions are taken.

- If the addressee is responsible for making sure action is taken, you don't need a corrective action statement.
- Data on available resources, such as personnel strength and funding.

If you can't establish a direct relationship between total resources and the resources expended on the function audited, omit resource data and call the paragraph "Responsibilities."

Top

7. HOW TO PREPARE "REPEAT CONDITIONS"

When you find that we previously reported essentially the same condition and cause to the same activity, highlight this fact in a section called "Repeat Condition(s)."

a. Determination. AR 36-5 requires us to evaluate the adequacy of the corrective actions that the activity took in response to prior reports. A negative condition or a portion of it in a formal report is a "repeat condition" if all these conditions are met:

- We reported a problem and its underlying cause or causes in a prior audit report.
- The prior audit report was subject to the official command-reply process prescribed by AR 36-2.
- Our position on the condition was upheld in the official Army position on the audit report.

Thus, when you consider both the condition and cause(s) to be generally the same as those we previously reported, the condition is a repeat even though the recommendations may not be the same. On the other hand, if the same condition exists, but the cause or causes are different from those we previously reported, or the prior report didn't sufficiently establish the causes, it isn't a repeat.

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b. Presentation. Use wording similar to the following when discussing repeat conditions:

> In this audit, we followed up on the results discussed in our previous report (give report number, title, and date). As (identify the section of the report by letter and title, or refer to the relevant paragraph if a nonstandard report) the current report shows, corrective actions weren't adequate (or weren't taken). The conditions and causes in (title) are essentially the same as those reported earlier. Therefore, (title) is a repeat condition subject to the special reporting provisions of AR 36-2, paragraphs 2-5e(3) and 2-5i.

You should also highlight repeat conditions in the Discussion section of the appropriate objective.

8. HOW TO PRESENT THE STATEMENT ON POTENTIAL MONETARY BENEFITS

If the activity will realize measurable potential monetary benefits of $50,000 or more from implementing the recommendations in any Objective in the report, put a statement discussing this at the end of the "Introduction" section of the report. Here is an example:

* * *

If Fort XXX carries out the recommendations in this report, there could be monetary benefits (based on the estimates we could reasonably make at the time of the audit). [See Appendix O for an example.]

OR

If a recommendation does have potential monetary benefits, but you can't measure or estimate the benefits, include a statement such as:

* * *

If Fort XXX carries out the recommendations in this report, there could be monetary benefits. However, at the time of the audit, we couldn't reasonably estimate those benefits. [See Appendix N for example.]

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APPENDIX H

OBJECTIVES, CONCLUSIONS, RECOMMENDATIONS, AND COMMENTS FOR THE OBJECTIVE (PREFERRED) FORMAT

In this appendix, we discuss how to prepare:

- Objectives.
- Conclusions.
- Background (if needed).
- Discussion.
- Recommendations (when applicable).
- Command Comments (when applicable).
- Evaluation of Command Comments (when applicable).

An "Objective(s), Conclusion(s), Recommendation(s), and Comments" title page should precede the Objective section. (See Appendixes N and O for examples.)

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1. OBJECTIVES

a. Writing of Objective(s). Write your audit objectives in the form of a question. Audit objectives should be questions about the program you want to answer. Preferably you should be able to answer the question with a "yes" (positive condition) or "no" (negative condition). (Refer to Government Auditing Standards of the Comptroller General and USAAAR 36-91 for more information on audit objectives.)

b. Objective With Two or More Conditions (Conclusions). There may be instances when your audit work identifies more than one condition (conclusion) to an objective. If this occurs, break out the objectives into two or more objectives. Coordinate with the audited activity and explain your reason for separating the original objective.

c. Order of Objectives. The order of objectives and conclusions in an audit report can vary. In order of preference, here are some points to consider when sequencing the objectives and conclusions. You could:

- Order objectives and conclusions based on their relative significance.
- Order objectives and conclusions based on another logical sequence, such as process or chronological order.
- Order objectives and conclusions in multiaddressee reports so readers don't have to jump back and forth between the same addressees.

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But place your objective on key management controls last.

The audit report should contain all objectives and conclusions of the audit. Don't issue two reports solely to avoid addressing recommendations to more than one command.

d. Addressee(s) of Objectives. Address objectives (and conclusions) to the lowest level of command with responsibility, authority, or capability to take action on your recommendations. Show the responsible official's complete title (including U.S. Army, when appropriate) directly after the captions "RECOMMENDATION(S) AND COMMENTS." Do not include "DA" in the title of the address at the Headquarters, DA level. (See Appendixes N and O.)

2. CONCLUSIONS. Your conclusions answer the audit objectives and describe what you found. Your conclusions (answers to the questions) shouldn't repeat the audit objectives. (NOTE: For the Contents page generally use the first, or first and second sentences (word for word) of your conclusion.) (See Appendix N for example.)

So the reader can completely understand your results, the conclusions must have:

- The condition(s)--what's right and/or wrong?
- The cause(s)--what were the reasons for the good or poor performance.

- The effect(s)--what did or could result?

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Each conclusion--whether positive, mixed, or negative--must have a condition, cause, and effect.

You should not use recommendation-type statements in this section. Use the last sentences in the Conclusion section to direct the reader to the pages where the Discussion section and the recommendations start.

3. BACKGROUND. This section has information about the subject that the reader needs to know to understand the conclusion to the objective. It can include:

- Criteria you used to measure audit results--usually regulations.
- A brief description of the command, activity, or function.
- The chronology of events leading to the situation.

It should not include the universe and scope of audit, the time period covered, the methods used, or similar information.

Keep background information to a minimum--some conclusions may not need any. Information needed to understand only part of the conclusion should go in the related section of the Discussion. Put information needed to understand the entire report in the Background of the Introduction section.

This section should not have a heading other than "Background" when the section discusses only one major area (see example, Appendix N.) (See Appendix O for example of more than one major area.)

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4. DISCUSSION. Those responsible for performing the day-to-day operations and implementing your recommendations will read the Discussion section closely. They need enough information to understand the condition, the cause(s), the effect(s), and solution(s). You must convince them that:

- Your conclusions (condition, cause, and effect) are valid.
- Significant problems do or don't exist.
- You have identified the major cause(s) of the condition(s).
- Your recommendations are realistic and will work.

Writers and reviewers must carefully judge when they have achieved the proper balance between completeness and conciseness. The discussion must have enough facts to be convincing, but at the same time not overburden the reader.

In this section, you can discuss one or more issues, but you must include:

- Condition(s).
- Criteria (unless in the background).

- Cause(s).
- Effect(s).
- Corrective action (if taken).
- Your recommended actions (if needed).

(See Appendix N for the wording to use in introducing two or more conditions.) In introducing one condition, use similar words, "In this section, we discuss one major area." But don't list the heading.)

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a. Conditions. The condition is what you found. The condition can be positive, mixed, or negative. In discussing the condition, identify the nature and extent (scope) of the issue. You must convince (sell) the reader your conclusions are accurate. Here are some guidelines:

- Describe the universe and the scope of the audit, the time covered, and methods used (such as statistical sampling, procedural analyses, or observations).
- Clearly label and qualify results based on samples that you didn't select statistically.
- Quantify results, rather than use indefinite terms such as "some," "many," or "most." Avoid using "always" or "not always."
- Clearly identify the sources of data you used to support your conclusion. State whether the sources were activity records, interviews, or observations. Remember, you must either verify audit information from other organizations or qualify your conclusions drawn from these sources.
- Clearly identify your conclusions. Make sure they follow from the facts you present. Don't mingle conclusions with facts or opinions.
- Describe conditions affecting operations that were beyond the audited activity's control.
- Give credit when the activity previously recognized the problems, especially when activity personnel pointed them out to you. Don't discuss adverse conditions the activity recognized and corrected before the audit.
- Do not include statements from or references to reports issued by The DA Inspector General (see USAAA Regulation 36-78 (Relationships With Commanders and Organizations External to USAAA)).

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b. Criteria. Criteria are the standards, rules, or tests used to evaluate the results of audit. For the most part, criteria are in Federal, DOD, and DA regulations. Criteria can go in either the "Background" section or the

"Discussion" section.

When there are no established criteria, you must rely on your experience, judgment, common sense, and common business practices. After you've selected criteria, coordinate with officials from the audited activity to make sure they agree with the criteria. Obtain their agreement as early in the audit as possible so command will consider your audit results valid.

c. Cause(s). The causes describe how or why the condition came about. Each conclusion must include the underlying cause(s) of the conditions you've reported. (NOTE: For a positive condition, you must still discuss cause. What controls or processes did command have in place that worked?) You must discuss cause in detail to:

- Make sound recommendations to correct conditions.
- Assist command in taking corrective action.
- Convince readers that you performed sufficient audit work to support your conclusion.
- Identify best practices that other commands could use to perform effectively and efficiently.

For mixed or negative conclusions, address each cause in one or more recommendations. Include only major or principal causes--you are not expected to include all possible causes. However, you should report the underlying cause(s). State the cause as simply as possible. If the cause is complex, you may have to explain it in greater detail.

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d. Effects. An effect is the favorable or unfavorable result of the condition you reported. When discussing effect, you must:

- Show that the effect is significant.
- Show (for favorable results) the value of using sound controls and processes.
- Show (for unfavorable results) the risk of continuing defective or deficient procedures or controls.
- Convince the audited activity that the effect warrants corrective action.
- Express it in quantitative terms--such as dollars, number of personnel, and units of production. However, if you couldn't determine actual effect, comment on theoretical effect.
- Explain how you quantified the effect, and provide a reasonable basis for your estimates or projections.
- Try to quantify potential monetary benefits that will result from implementing the recommendations, include these in the discussion.

Top

e. Corrective Action Taken by Command. Mention any corrective actions command took during the audit. You should also discuss the status of command's corrections--actions just begun, in process, or completed--and the extent to which you have verified whether the actions were taken and were effective.

f. Recommended Actions and Potential Monetary Benefits. Explaining your recommendation in the Discussion section will help readers understand how it will correct the cause of the problem. Then, direct the reader to the applicable recommendation. Use wording similar to this:

- We address the action needed to correct the (problem discussed) in Recommendation X-X.

You should clearly tie all potential monetary benefits of $50,000 or more to the recommendation to simplify the reporting, tracking, and followup process.

g. Repeat Conditions. If the Agency previously reported any negative matters discussed in conclusion, and the criteria in Appendix G have been met:

- Identify the report number, title, and date.
- Briefly describe the condition(s) and cause(s).
- Summarize the previous recommendation(s) and command's actions.
- Discuss, if possible, why command didn't take recommended actions or why its actions were not effective.

Top

(See Appendix G for an example of how to report repeat conditions.)

If other audit or investigative agencies (except the DA Inspector General) have previously reported any matters discussed in your conclusion or the conditions in paragraph 5a, Appendix G have not been met, you may mention the previous report in the Discussion section. Do not, however, consider this to be a repeat condition subject to the special provisions of AR 36-2, nor discuss it in the "Repeat Condition (or Finding, for alternate format)" section in "Introduction" (or "General Information," for alternate format).

h. Time-Sensitive Issues. If urgency prevents you from fully developing a conclusion to an objective on a time-sensitive issue, describe the limitations of the conclusion in the memorandum transmitting the conclusion to the objective to the audited activity for comments. (See AR 36-5 (Auditing Service in the Department of the Army) and USAAA Regulation 36-61 (Transmittals of Tentative Findings and

Recommendations and Draft Audit Reports) If you must issue a time-sensitive report, use the objective (preferred) report format whenever possible.

Top

i. Compliance with Laws and Regulations. Government Auditing Standards require all audits to evaluate compliance with related laws and regulations. The Discussion section for each conclusion will identify the pertinent laws, regulations, procedures, or other such criteria. Therefore, you will usually imply compliance rather than state it as an objective for an audit. However, if a stated objective is to evaluate compliance--such as is required for financial audits--you must list compliance as a specific objective. For example:

> Has the activity under audit complied with applicable laws and regulations that can materially affect the accuracy of its financial statements?

Therefore, include your conclusion on that objective in the Discussion section.

If all the items you tested complied substantially with applicable laws and regulations, state your conclusion in positive terms for the items tested. Follow the conclusion with this statement of negative assurance:

> Also, nothing came to our attention during the review that caused us to believe that the (audited activity) did not comply with the terms and provisions of applicable laws and regulations for transactions we didn't test.

Top

If you found material instances of noncompliance with applicable laws and regulations, discuss them in the Introduction section and in the conclusions to the appropriate objectives.

Also, if the overall results of the audit so dictate, you may wish to include the following statement of negative assurance for items you didn't test:

> Except for those material instances of noncompliance disclosed, we found no additional matters that caused us to believe that the (audited activity) did not comply with the terms and provisions of applicable laws and regulations for transactions we didn't test.

When the instances of noncompliance were extensive, pervasive, or exceptionally serious, you may not wish or be able to give negative assurance on items you didn't test. If so, add the following statement after the negative conclusion:

Because the (audited activity) did not comply with the terms and provisions of applicable laws and regulations for the transactions tested, we cannot express an opinion as to compliance with the terms and provisions of applicable laws and regulations for transactions we didn't test.

Top

5. RECOMMENDATIONS AND COMMENTS

a. Recommendations. Recommendations are specific actions needed to eliminate or reduce the mixed or negative conditions you found. Your recommendations should:

- Address the cause(s) of the reported conditions--not the conditions themselves.
- Start with action words. Avoid vague terms such as "evaluate," "consider," "emphasize," "review," or "study." Command could readily agree to such recommendations and then do nothing.
- Be logical, workable, and comprehensive.
- Address short-term solutions to get the immediate problem under control and long-range solutions to improve procedures and controls.
- Address only the causes presented in the "Discussion" section--don't introduce new causes.
- Address specific actions needed to comply with regulations--don't recommend simply complying with the regulations.
- Not repeat causes or background information.
- Not indicate the benefit of taking the action.

Top

(1) Ordering and Labeling Recommendations. Put your recommendations in the same order as the causes discussed in the Discussion section. However, this may not be possible in some instances for multiaddressee reports because you should list addressees in protocol order--that is, address the highest level command first.

- Each recommendation in the report with more than one objective must have a letter corresponding to the Objective, and a number (A-1, A-2, B-1, such as B-4). NOTE: Some Objectives may not have recommendations.
- Each recommendation in a one-objective report (or a one-objective classified Annex) needs only a number--even if there is only one recommendation.
- When the recommendations are directed separately to

individual addressees, identify the addressee(s) before each applicable recommendation or group of recommendations. (See Appendix O for example.)

(2) Changing Recommendations. During the staffing process, command may propose alternatives to your recommendations. If you agree that the alternatives will correct the problem, you may change your recommendation. This change may eliminate the need for lengthy command comments and USAAA evaluations. Make sure command knows why you are changing the recommendation.

Top

(3) Negative Conclusions With No Recommendations. In rare instances, you may not have a recommendation for your negative conclusion. For example:

- The activity is discontinuing or changing an operation to the extent that it will not use past procedures and controls.
- We previously reported similar conditions and recommended a policy change to DA. DA is studying the problem--no action is warranted until the study is complete.

Directly under the caption "Recommendations and Comments," in parentheses, explain why you didn't make a recommendation.

Top

b. Command Comments. Government Auditing Standards require you to include in your report command's pertinent views and comments on the conclusions and recommendations and what corrective action is planned. Also, AR 36-5 requires commanders or activity chiefs to comment on tentative conclusions and recommendations.

(1) Summarizing Command Comments. Because copies of verbatim command comments are in an annex to the report, you should briefly summarize command comments in this section. Your summary of command's comments should:

- Include agreement or disagreement. Briefly tell why command didn't agree.
- Include proposed alternatives to the recommendation.
- Include actual or planned dates for taking corrective actions.

(2) Command Agreed. When command agrees to your recommendation, your report must clearly show:

- Corrective action taken and the date completed.
- Planned action and the date targeted for completion. (You must report target dates to permit timely followup.)
- Alternatives to your recommendations.
- Reaction to any reported potential monetary benefits.

Top

When command agrees to a recommendation, that usually means it agrees with the facts. But sometimes command provides additional information that indicates otherwise. When this happens, include the additional information in one of the following places:

- In the "Discussion" section.
- After command's comments on the pertinent recommendation.
- After the last recommendation and comments, if not related to any specific recommendation.

(3) Command Didn't Agree. When command doesn't agree with your conclusions, recommendations, or potential monetary benefits, your report must clearly show why. If command's reasons for not agreeing are valid, change the conclusion and discussion to present matters accurately or in better perspective. Otherwise, see Agency Evaluation of Command Comments, paragraph 5c of this appendix.

(Note: Before writing your report, you should discuss the disagreements with command. Sometimes, a few minor changes to the conclusion, discussion, or recommendations--changes that don't alter facts or intended corrective actions--can mean the difference between agreement and disagreement. This could help speed up the entire report process.)

Top

(4) Nonresponsive Replies. You should consider replies to be nonresponsive if they don't:

- Adequately address the recommendation or don't have completion dates for corrective actions.
- State why conditions from repeat findings continued to exist or don't include the current status of corrective actions.

When comments aren't fully responsive, you should discuss this situation with command and try to get a complete reply. If you can't get a better reply, include only the responsive portion of the

reply and state that you were unable to get the complete reply required by AR 36-5.

(5) No Command Comments. When command doesn't reply in writing, you may obtain and use oral comments. These comments should represent the command position, not those of individual staff members or elements of command. Clear these comments with command before you put them in the report.

Top

If command doesn't reply--orally or in writing--you may issue the final report without command comments. When this occurs, use one of the following statements after the applicable recommendation:

- Command (the activity or office) didn't furnish the reply required by AR 36-5.
- Command (the activity or office) hasn't yet replied, but said it will reply during the official command-reply process required by ARs 36-2 and 36-5.

(NOTE: You should also include one of the preceding statements in the "Results in Brief" section of the report, if applicable.)

(6) Command Comments on Potential Monetary Benefits. As discussed in this appendix (paragraphs 5b(2) and 5b(3)), your report must include a statement on whether or not command agreed with your potential monetary benefits. Because of the different circumstances, you can report command replies in several ways. For example:

- Command stated that the amount of our reported potential monetary benefits was reasonable.
- Command originally agreed with the potential monetary benefits we estimated at about $150,000, based on our information at the time of audit. However, because of more recent information, command now believes it will realize only about $100,000.
- Command agreed that potential monetary benefits would result from implementing our recommendations but was unable to estimate the amount.
- Command didn't agree with our estimate of $550,000 in potential monetary benefits because it believed the recommendation would cost $45,000 to implement.
- Command didn't agree and said it would realize no potential monetary benefits from implementing our

recommendation.

Top

(7) Placement. Place command comments immediately following the appropriate recommendation. (See Appendixes N and O.) You don't have to repeat similar comments after each recommendation. If command provides the same response to several recommendations, use the response once after the last applicable recommendation, but clearly show the actual completion or target dates for each recommendation.

(8) Replies From Higher Commands. When a command higher than the audited activity replies, you must report the replies differently. This might occur if the higher command reserves the authority to make all replies for a special function or area.

If a higher command provides comments on all recommendations in a conclusion to an Objective, you should place a statement to that effect directly before the first recommendation. For example:

RECOMMENDATIONS AND COMMENTS

This section contains s**pecific recommendations and a summary of command comments for each recommendation. Verbatim command comments are in Annex _____.**

For the Commander,
U.S. Army Medical Department Activity, Fort XXXXX

Medical Command gave us the following comments. The Medical Department Activity, Fort XXXXX didn't comment.

A-1 Recommendation: . . . .

Command Comments: Medical Command agreed and stated . . .

Top

If a higher command furnishes comments on only one or several of the recommendations, place a statement to that effect directly after the applicable recommendation(s). For example:

RECOMMENDATIONS AND COMMENTS

This section contains specific recommendations and a summary of command comments for each recommendation. Verbatim command comments are in Annex _____.

For the Commander,
U.S. Army Medical Department Activity, Fort XXXXX

A-1 Recommendation: . . . .

Command Comments: The Medical Department Activity agreed and stated that. . . .

A-2 Recommendation: . . . .

The Office of The Surgeon General replied to this recommendation. The Medical Department Activity didn't comment.

Command Comments: The Office of The Surgeon General didn't agree and. . . .

Top

c. Agency Evaluation of Command Comments. Your report must have an evaluation when:

- **Command doesn't agree with your conclusion, facts, recommendation, or potential monetary benefits.**
- **Command's reply raises points that the conclusion and discussion of the report didn't address.**
- **Command's reply isn't responsive, and you need to explain why.**

Your evaluation should be tonal and include

only points addressed in the discussion needed to reemphasize your position. Place your evaluation immediately following the appropriate command comment. (See Appendix N for example.)

In some cases, one evaluation is appropriate for replying to the command comments on all recommendations. If this occurs, follow the last recommendation and command comments with the caption "Agency Evaluation of Command Comments."

If the activity states its future action depends on the results of a review, study, or research, you may withhold comments or judgment on those actions pending analysis of the results. In these cases you may comment such as:

> **As agreed to between representatives of Fort XX and the U.S. Army Audit Agency, Fort XX will furnish the results of the XYZ study--to be completed by 13 June 199X--through the official command-reply process. When we receive the study, we will evaluate it to determine if it satisfies the intent of the recommendation.**

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APPENDIX I

AUDIT SCOPE AND METHODOLOGY (ANNEX A) FOR THE OBJECTIVE (PREFERRED) FORMAT

Include the scope and methodology of the audit in all reports in the objective (preferred) format as Annex A. Include:

- **When you performed the audit work.**
- **What standards you used.**
- **Where you performed the audit.**
- **What the scope of your audit was.**
- **How you performed the audit work.**
- **What the standards were when technical experts were used in the audit.**

Top

An "Annexes" title page should precede the Annexes section. (See examples at Appendixes N and O.)

a. Duration of the Audit. Show when you did the audit, from month and year to

month and year.

- The starting month is that of the entrance conference. If you didn't hold an entrance conference, the starting month will be the month you started fieldwork.
- The ending month is normally that of the exit conference. If you didn't hold an exit conference, the ending month will be the month command waived the exit conference.
- Explain delays of more than 6 months between completing the audit and issuing the final report. For example, legal review could be an extenuating circumstance. However, don't mention delays in getting command comments.

Top

b. Standards of the Audit. Include this statement in your report:

We performed the audit according to generally accepted government auditing

standards and included the tests of management controls that we considered necessary under the circumstances.

> **You may have to qualify this statement (as discussed in paragraph 7b of this regulation) if you didn't meet a required auditing standard. You also may have to use a different statement in memorandum reports for other services.**

c. Location of the Audit. If the audit covered only a single location, don't include a statement on location. However, if you're preparing an overall report on a multilocation audit, include a statement similar to this:

> **We performed the audit in three U.S. Army offices of the Army Secretariat and at Forces Command, U.S. Army Training and Doctrine Command, U.S. Army Materiel Command, and U.S. Army Recruiting Command, and at the nine subordinate installations and**

activities that Annex __ lists.

Top

d. Scope of the Audit. Describe the scope of the transactions you reviewed. In most reports, use this wording:

> The audit covered transactions representing operations current at the time of the audit.

Also, discuss scope variances or report qualifiers, when applicable. In this section don't discuss the specific periods of transactions you reviewed. However, discuss the specific periods in the discussion section of each conclusion.

e. Methodology of the Audit. Describe what steps you took. Explain the steps and tests you made to answer each audit objective. These steps could include but are not limited to:

- Reviewing laws, regulations, and policies.
- Interviewing Army managers.

- **Obtaining and reviewing source documents.**
- **Observing operations.**
- **Testing/reconstructing transactions.**
- **Performing statistical sampling.**

Top

f. Use of Technical Experts in the Audit. Reporting standards for performance audits require that audit reports cite the kinds and sources of evidence and the techniques used to verify the evidence. The use of technical experts should therefore be included as part of the scope and methodology. Specific information should include an expert's:

- **Objectives and scope of work.**
- **Relationship, if any, to the activity being audited.**
- **Methods or assumptions used in carrying out the assignment.**

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APPENDIX J

SUMMARY OF THE AUDIT FOR THE FINDING (ALTERNATE) FORMAT

Each report in the finding (alternate) format has a section that summarizes the audit. The title is usually "Summary of the Audit," although that may vary depending on the type of report you are writing. (The sample report begins at Appendix P of this regulation.)

Each summary has two required sections, normally with these titles:

- **"What We Audited."**
- **"Objectives, Conclusions, and Command Responses."**

A summary may also have another section titled "Observations."

The Summary of the Audit normally finishes with comments on potential monetary benefits and on the official command-reply process.

A "Summary of the Audit" title page should precede the Summary of the Audit Section. (See example in Appendix P.)

The rest of this appendix tells you about each part of the Summary of the Audit.

Top

1. HOW TO PREPARE "WHAT WE AUDITED"

and

2. HOW TO PREPARE "OBSERVATIONS"

The details about these sections are the same as those for the objective (preferred) format. You can find the details in Appendix G and an example in Appendix P.

3. HOW TO PREPARE "OBJECTIVES, CONCLUSIONS, AND COMMAND RESPONSES"

If you have an overall objective, begin with that. Follow with your conclusion.

Next, show each specific audit objective, followed immediately by the conclusion and command's response.

Here's how to present the objectives, conclusions, and command's response:

a. Presenting Your Audit Objectives. Base the order of your objectives on the type

of conclusions you reach.

- First, present the objectives with positive conclusions.
- Next, present the objectives with mixed conclusions.
- Then, present the objectives with negative conclusions.
- Next, present the objective on the Army's management control process. (Always present this objective last, regardless of your conclusion.)

Top

USAAA Regulation 36-91 gives you basic information on how to establish and report audit objectives.

b. Presenting Your Conclusions. State in the first sentence or sentences the conclusion you reached--whether positive, negative, or mixed (some improvements were needed). Then explain the basis for reaching the conclusion.

Here are some guidelines:

- **If an objective has several parts, include a conclusion for each part.**
- **Include the results of followup on prior audit reports as they relate to the audit objective.**
- **Include any observations that will help put the conclusion in its proper perspective.**
- **If you have more than one finding for a specific objective, summarize the conclusions to answer the objective in the sequence that you presented in the findings.**

(1) How to Present Positive Conclusions. If your audit showed that the activity operated an area satisfactorily or performed a function particularly well, give the activity credit! Describe the basis for your positive conclusion--that is, summarize your audit results.

(2) How to Present Mixed

Conclusions. When you have mixed conclusions, present your positive conclusion first, then your negative conclusion.

(3) How to Present Negative Conclusions. Try to maintain tonal quality even when your conclusions are negative. Normally, you can achieve a positive tone by summarizing the applicable conditions in recommendation terms. This type of presentation serves several purposes.

- **It presents a tonal summary of the condition.**
- **It gives the reader a general idea of the main recommendation(s).**
- **It is brief and to the point.**

Top

Here are some examples:

Condition: The supported activities used too many high-priority requisitions.

Recommendation: Have the supply clerk monitor all requisitions and spot-check the validity of the high-priority requisitions.

Here's How to State Your Conclusion: Command could reduce the number of the high-priority requisitions by having supply clerks periodically spot check the validity of the high-priority requisitions.

Condition: Direct exchange items often exceeded requirements.

Recommendation. Set up a formal class of instruction to show direct exchange personnel how to compute stockage levels.

Here's How to State Your Conclusion: Formal instruction on how to compute stockage levels would help reduce the significant excesses of direct exchange items on hand.

(4) How to Present a Conclusion for a Finding With No Objective. If you developed a finding that doesn't pertain to a specific objective, and

didn't establish an objective for it, discuss it in a separate paragraph or paragraphs following the last objective. Use three asterisks–centered–before the conclusion to set it off from the objectives, conclusions, and command responses. Begin the conclusion by saying: "During the audit, we observed that . . . . " Follow the conclusion with the usual three asterisks that precede the statements on potential monetary benefits and the Army's official position.

Top

(5) How to Refer to a Classified Conclusion. If you report a classified conclusion in a separate annex, mention that fact in this section.

(6) Special Instructions for Compliance. Government Auditing Standards require all audits to evaluate compliance with related

laws and regulations. The Discussion section for each conclusion will identify the pertinent laws, regulations, procedures, or other such criteria. Therefore, you will usually imply compliance rather than state it as an objective for an audit. However, if a stated objective is to evaluate compliance--such as is required for financial audits--you must list compliance as a specific objective. For example:

> **To determine whether the activity under audit has complied with applicable laws and regulations that can materially affect the accuracy of its financial statements.**

Therefore, include your conclusion on that objective in the Summary of the Audit.

If all the items you tested complied substantially with applicable laws and regulations, state your

conclusion in positive terms for the items tested. Follow the conclusion with this statement of negative assurance:

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> **Also, nothing came to our attention during our examination that caused us to believe that the (audited activity) did not comply with the terms and provisions of applicable laws and regulations for transactions we didn't test.**

If you found material instances of noncompliance with applicable laws and regulations, discuss them in the Summary of the Audit section and in the findings.

Also, if the overall results of the audit so dictate, you may wish to include the following statement of negative assurance for items you didn't test:

> **Except for those material instances of noncompliance disclosed, we found no additional matters that caused us to believe that the (audited activity) did not comply with the terms and provisions of applicable laws and regulations for transactions we didn't test.**

When the instances of noncompliance were extensive, pervasive, or exceptionally serious, you may not wish or be able to give negative assurance on items you didn't test. If so, add the following statement after the negative conclusion:

> **Because the (audited activity) did not comply with the terms and provisions of applicable laws and regulations for the transactions tested, we cannot express an opinion as to compliance with the terms**

and provisions of applicable laws and regulations for transactions we didn't test.

Top

c. Presenting the Command Response. After stating your conclusion, show the response of each addressee to the related findings and recommendations (and potential monetary benefits if applicable). (See Appendix P.)

If the activity doesn't agree with a recommendation, mention the subject of the recommendation and show the specific recommendation in parentheses after the subject so readers may easily refer to the exact comments if they want.

Here is one suggested wording:

> **The Office of the District Engineer agreed and said that it had taken or would take corrective actions on most recommendations. The Office of the District Engineer didn't agree with the recommendation to**

share costs of maintenance operations (Recommendation A-1).

Top

After command's response, say whether the activity agreed with the reasonableness of the reported potential monetary benefits, if applicable. Don't mention the subject of any disagreements.

The last sentence should say: "(Our recommendations and command comments are in Finding __. A copy (or "copies") of verbatim command comments is (or "are") in Annex __.)"

(1) Comments From Higher Levels. When a command level higher than the audited activity gives the activity's position:

- Identify the higher level command furnishing the comments.
- Identify the recommendation(s) in parentheses.

- **Summarize the comments.**

Top

Here is one suggested wording:

> **The Medical Department Activity, Fort XXX agreed with the finding and with most recommendations. The Surgeon General directed that the activity not comment on our recommendation to coordinate equipment requirements with other medical department activities (Recommendation A-2). The Surgeon General didn't agree with the recommendation and stated that activities at the Department of the Army level would determine equipment requirements.**

(2) Comments Withheld. When the activity withholds comments (although AR 36-5 requires them),

include one or both of the statements in Appendix H, paragraph 5b(5).

Top

d. Presenting the Statement on Potential Monetary Benefits. ***The details about this section are the same as those for the objective (preferred) format. You can find the details in Appendix G.***

e. Referring to the Army's Official Position. End this section with the following statement:

> **The command-reply process that AR 36-2 prescribes will establish the Army's official position on the finding(s), recommendation(s), command comments, and potential monetary benefits. (Note: Delete "potential monetary benefits," when not applicable.)**

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APPENDIX K

GENERAL INFORMATION FOR THE FINDING (ALTERNATE) FORMAT

"General Information" is the housekeeping section of the report written in the finding (alternate) format. It gives information auditors and others actively involved in the audit would find especially useful.

"General Information" has five sections:

- **Audit Scope and Methodology.**
- **Background of the Audit (or Criteria or Authority for the Program) (if needed).**
- **Other Matters (if needed).**
- **Responsibilities and Resources.**
- **Repeat Finding (if needed).**

Top

A "General Information" title page should precede the General Information section. (See Appendix P for example.)

The rest of the appendix tells you more about each section or refers you to the appendix that contains that information.

1. AUDIT SCOPE AND METHODOLOGY

Include the scope and methodology of the audit in all reports.

The details about this section are the same as those for the objective (preferred) format. You can find the details in Appendix I.

2. BACKGROUND OF THE AUDIT (OR CRITERIA OR AUTHORITY FOR THE PROGRAM)

You can include a section containing general background on the audited activity or function, on the audit itself, or on both. This section is usually appropriate in multilocation audit reports and reports on highly complex subjects.

The details about this section are the same as those for the objective (preferred) format. You can find the details in Appendix G.

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3. OTHER MATTERS

Include in this section such topics as:

- **Serious Incidents.**

- **Violations Reportable Under AR 37-1.**
- **Conditions Warranting Expedited Action.**
- **Minor Findings.**
- **Omissions.**
- **Army Management Control Process.**

The details about this section are the same as those for the objective (preferred) format. You can find the details in Appendix G.

4. RESPONSIBILITIES AND RESOURCES

This section has information on the responsibilities of the report's addressees, as related to the subject of the audit; the mission and resources of the audited command, installation, or activity--or a combination of both.

The details about this section are the same as those for the objective (preferred) format. You can find the details in Appendix G.

5. REPEAT FINDINGS

When you find that we previously reported essentially the same condition to the same

activity, highlight this fact in a section called "Repeat Finding(s)."

The details about this section are the same as those for the objective (preferred) format. You can find the details in Appendix G.

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APPENDIX L

FINDINGS, RECOMMENDATIONS, AND COMMENTS FOR THE FINDING (ALTERNATE) FORMAT

The "Findings, Recommendations, and Comments" of the report has the individual finding(s) you developed during your audit. It should include only significant findings; use a memorandum report to discuss minor deficiencies (see Appendix C).

A finding describes important problems that command can eliminate or reduce by implementing your recommendations. So the reader can completely understand the problem, a finding must have:

- **The condition(s)--what's wrong?**

- **The criteria--what are the requirements?**
- **The cause(s)--how did it get that way?**
- **Adverse effect(s)--what did or could result?**
- **Your recommendations--how should command correct the problem?**
- **Potential monetary or other benefits--how will your recommendations help?**
- **Command's comments on your facts, conclusions, recommendations and resulting benefits--did it agree or disagree?**
- **Your evaluation of command's comments--are command's alternative solutions or objections valid?**

Top

When addressing findings:

- **Show the responsible official's complete title (including U.S. Army, when appropriate) directly after the title of the finding.**
- **Direct findings to the lowest level of command with responsibility, authority, or**

capability to take action on your recommendation.

- Do not include "DA" in the titles of the addressees at the Headquarters, DA level.

When the finding has multiple addressees, but your recommendations are directed separately to the individual addressees, identify each before the applicable recommendation or group of recommendations.

These are the sections of the finding:

- Summary.
- Background (if needed).
- Discussion.
- Recommendations and Comments.

A "Finding(s), Recommendation(s), and Comments" title page should precede the Finding(s) section.

Top

1. SUMMARY

This section summarizes the condition(s), cause(s), and effect(s). You should not use

recommendation-type statements in this section. Use the last sentence in the summary section to direct the reader to the page where your recommendations begin. (See Appendix P for an example.)

2. BACKGROUND

This section has information about the subject that the reader needs to understand the finding.

The details about this section are the same as those for the objective (preferred) format. You can find the details in Appendix H.

3. DISCUSSION

The details about this section are the same as those for the objective (preferred) format. You can find the details in Appendix H.

4. RECOMMENDATIONS AND COMMENTS

The details about this section are the same as those for the objective (preferred) format. You can find the details in Appendix H.

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5. HOW TO SEQUENCE YOUR FINDINGS

The sequence of findings in an audit report can vary. In order of preference, here are some points to consider when sequencing the findings. You could order findings:

- **Based on each finding's relative significance.**
- **Based on another logical sequence, such as process or chronological order.**
- **In multiaddressee reports so readers don't have to jump back and forth between the same addressees.**

In the "Summary of the Audit," you may rearrange the order of the objectives that result in negative conclusions to agree with the order of the findings in "Findings, Recommendations, and Comments."

The audit report should contain all findings developed during the audit. Don't issue two reports solely to avoid addressing findings to more than one command.

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APPENDIX M

ANNEXES
FOR THE OBJECTIVE (PREFERRED) AND FINDING (ALTERNATE) FORMATS

1. ANNEXES FOR FORMAL REPORTS

Each formal report could have these annexes:

- **Audit Scope and Methodology (mandatory for the preferred format) (Or "Scope and Methodology of Review" for consulting reports). (See Appendix I for discussion.)**
- **Activities Included in the Audit (mandatory for multilocation audits). Appendix O includes two examples of annexes for Activities Included in the Audit.**
- **Verbatim Comments by Command (mandatory for all formal reports).**
- **Others Receiving Copies of This Report (mandatory for all formal reports). Follow the protocol order in USAAAR 36-54 (Procedures for Processing, Distributing and Finalizing Audit Reports).**
- **Audit Team (optional).**

Other annexes are optional. Use optional annexes to illustrate or present information you consider necessary for the report. This information could be charts, tables, or listings which may be too much to include in the body of the report. (Use a print size that is large enough for easy reading.) Place these optional annexes first for the finding (alternate) format or right after Annex A for "Audit Scope and Methodology" for the objective (preferred) format.

An "Annexes" title page should precede the Annex section.

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2. ANNEXES WITH CLASSIFIED MATERIAL

You can issue classified information separately in an annex if no more than two objectives and conclusions (findings) are classified and their absence from the main report will not cause any misunderstanding about the audit results.

When you use a classified annex, list the title in the Contents of the unclassified report and add this parenthetical remark: "(Classified and Issued Separately)." Title the annex as follows:

- **If the annex contains only one objective and conclusion (finding), use the title of the objective and conclusion (finding). For example, here is what the Contents should show:**

  ANNEXES

  A - (Title)

  B - Readiness of Maintenance Units(Classified and Issued Separately)

- **If the annex contains two conclusions (findings), use a title that covers the subjects of both, and number of the objectives and conclusions (findings) "1-Title" and "2-Title." For example here is what the Contents should show:**

  ANNEXES

  A - (Title)

  B - Impact of Deficiencies on Unit Readiness (Classified and Issued Separately)

  1 - Readiness of

Maintenance Units

2 - Readiness of Aviation Units

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STANDARD REPORT FOR A SINGLE-LOCATION AUDIT OR A SITE REPORT FOR A MULTILOCATION AUDIT FOR THE OBJECTIVE (PREFERRED) FORMAT

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Reports of Discrepancy and Quality Deficiency Reports for Depot-Level Reparables

U.S. Army, Europe and Seventh Army

U.S. Army Audit Agency

31 October 19XX

Audit Report: AA 9X-XX

DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
Office of the Deputy Auditor General
Logistical Audits
3101 Park Center Drive
Alexandria, VA 22302-1596

31 October 19XX

Commander in Chief
U.S. Army, Europe and Seventh Army

This is the report on our audit of reports of discrepancy and quality deficiency reports for depot-level reparables at your command. Your Office of the Deputy Chief of Staff for Logistics requested the audit. *(Use this for a Single-Location Audit.)*

OR

This is the report on our audit of reports of discrepancy and quality deficiency reports for depot-level reparables at your command. The audit was part of a multilocation audit and we will include the results in an overall report to higher management levels. *(Use this for a site report of a Multilocation Audit.)*

The command-reply process that Army Regulation 36-2 prescribes will establish the Army's official position on the conclusions, recommendations, and command comments.

I appreciate the courtesies and cooperation you extended to us during the audit.

FOR THE DEPUTY AUDITOR GENERAL:

NAME
Program Director
Wholesale and Retail
Logistics Audits

For more information about this audit, please call the Logistical Audits Division at (703) 681-9574. For copies of the executive summary or extra copies of this report, please call (703) 681-9883.

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Yes, but command could further improve the process to make sure it gets all the refunds it's entitled to receive.

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Was command's program for quality deficiency reports used properly and was it effective in obtaining credits for receipts of defective depot-level reparable items?

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Yes, for reports of discrepancy, but command needed better controls for quality deficiency reports.

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INTRODUCTION

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WHAT WE AUDITED

We audited U.S. Army, Europe and Seventh Army's programs for reports of discrepancy and for quality deficiency reports, as they related to depot-level reparables. Command's Office of the Deputy Chief of Staff for Logistics requested the audit to determine if the programs were used properly and if they were effective in obtaining wholesale-level credits.

Therefore, our audit focused on report transactions for depot-level reparables that would generate a refund or billing adjustment from wholesale sources.

RESULTS IN BRIEF

The report of discrepancy program related to depot-level reparables was generally effective. U.S. Army, Europe implemented adequate controls for obtaining refunds on depot-level reparable receipts with discrepancies. However, command needed to make sure subordinate units submitted discrepancy reports through proper channels so that it could verify receipt of all refunds due. Also, units needed to report administrative discrepancies to help improve the overall quality of the Army's supply system.

Command hadn't fully defined the procedures needed for an effective program for quality deficiency reporting in the European theater. As a result, command didn't receive the full refund amounts authorized for some defective depot-level reparables obtained from within the theater and from CONUS depots.

BACKGROUND

Reports of discrepancy and quality deficiency reports play important roles in maintaining the quality of the Army's supply system.

Units file discrepancy reports with inventory control points and supply sources for materiel shipments with overages, shortages, and wrong items. Supply sources correct these types of discrepancies by processing refunds or billing adjustments. Control points and supply sources also

receive reports for administrative discrepancies such as improper packaging, technical markings, or condition codes; and missing supply

documentation. The Army uses these reports to identify recurring problems and to prevent future discrepancies.

The purpose for using quality deficiency reports for reporting equipment failures is twofold.

- First, command can get a refund or a no-cost replacement from the supply source if the cause of the failure resulted from an equipment defect.

- Second, the reports identify repetitive or systemic equipment defects that should be corrected.

RESPONSIBILITIES

Within U.S. Army, Europe and Seventh Army, the Office of the Deputy Chief of Staff for Logistics has overall responsibility for issuing policy guidance related to the reports of discrepancy and quality deficiency reports programs. Responsibility for monitoring the programs rests with two subordinate organizations of the 21st Theater Army Area Command:

- The Customer Service Division (Report of Discrepancy Section) at the 200th Theater Army Materiel Management Center is the central processing point for command's discrepancy reports.

- The Quality Assurance and Contract Management Division at 21st Theater Army Area Command monitors command's quality deficiency reports.

* * *

If U.S. Army, Europe carries out the recommendations in this report, there could be monetary benefits. However, at the time of the audit, we couldn't reasonably estimate those benefits.

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OBJECTIVES, CONCLUSIONS, RECOMMENDATIONS, AND COMMENTS

A - REPORTS OF DISCREPANCY

OBJECTIVE

Was command's report of discrepancy program effective in obtaining refunds for discrepant depot-level reparable receipts?

CONCLUSION

Yes, but command could further improve the process to make sure it gets all the refunds it's entitled to receive.

U.S. Army, Europe and Seventh Army had sufficient controls in place for detecting, reporting, tracking, and following up on discrepancies. But command could improve its reporting process by requiring units to submit discrepancy reports through the materiel management center for monitoring purposes. Without this procedure, command can't be sure it's receiving refunds for all discrepancies.

Command sometimes didn't prepare reports for administrative discrepancies. Personnel at two supply support activities told us that this occurred because staff shortages prevented them from preparing all discrepancy reports. To minimize the effect of these shortages, they focused on discrepancies that would get command a refund. Although this is a prudent practice in principle, it also results in some administrative discrepancies going unreported and uncorrected.

Our detailed discussion on these conditions starts below. Our recommendation is on page 13.

DISCUSSION

This section discusses two areas:

- Reporting process.
- Monitoring process.

Reporting Process

Command did a good job of managing the reports of discrepancy program. However, subordinate units sometimes didn't submit reports through proper channels or prepare them for administrative discrepancies.

AR 735-11-2 (Report of Discrepancy) lists the criteria for filing a report of discrepancy. The regulation defines shortages, overages, and receipt of wrong items as discrepancies. Inventory control points usually correct these types of discrepancies by processing refunds or billing adjustments.

We reviewed command's procedures for reporting discrepancies at V Corps units and supply support activities. V Corps is U.S. Army, Europe's largest consumer of depot-level reparables. During FY 94, its demands were almost three-quarters (about $321 million) of command's total demands (about $440 million) for depot-level reparables.

The general process for reporting discrepancies (for example, if an activity received less of an item than it ordered) was:

- V Corps units and supply support activities identified shipment shortages and prepared reports of discrepancy.
- The units sent the reports, through the corps materiel management center, to the customer service division (report of discrepancy section) at the theater materiel management center. As the central processing point for command's reports, the report of discrepancy section was responsible for monitoring the program.

Also, the 1st Armored Division's repair parts warehouse used a system that automates the reporting process. The system uses optical cards and hand-held scanners to compare the shipping manifest with the receipt documents. If a discrepancy exists, the system automatically generates a report of discrepancy. Command expects to install a similar system throughout the theater by early FY 96.

Submitting Reports

Some activities didn't submit discrepancy reports through the materiel management center. This occurred because command hadn't published guidance requiring them to do so. As a result, center personnel weren't aware of and didn't monitor some outstanding refunds.

The 3d Infantry Division's repair parts warehouse processed its own discrepancy reports through the inventory control points. Warehouse personnel said they weren't aware that they should submit discrepancy reports through the corps and theater materiel management centers. As a result, warehouse personnel couldn't be sure if command received refunds for the reports it filed. And, because the materiel management center didn't know about the reports, it also couldn't monitor the refunds.

Command can improve its program by directing all units to submit their reports through the materiel management center --where command already has an effective followup function in place.

We discuss actions to improve the process for submitting discrepancy reports in Recommendation A-1.

Documenting Administrative Discrepancies

Command sometimes didn't prepare reports to document administrative discrepancies for shipments involving depot-level reparables.

AR 735-11-2 identifies the criteria for reporting administrative discrepancies. These discrepancies include improperly packaged materiel, incorrect technical markings, materiel sent to the wrong address, and missing supply documentation. The regulation also identifies more significant administrative discrepancies such as materiel received in the wrong condition code and missing user's manuals. Control points and supply sources use information in the reports to prevent similar discrepancies in the future.

discrepancies in the future.

Command personnel from both repair parts warehouses said that staff shortages sometimes prevented them from preparing reports for administrative discrepancies. To minimize the effect of these shortages, they focused their efforts on discrepancies that would get command a refund.

We recognize that it may be difficult to document administrative discrepancies given the current staffing situation. However, reporting units should try to document the more significant administrative discrepancies (shown in AR 735-11-2) so that recurring problems can be corrected. Although administrative discrepancies don't generate refunds, reporting them is important to maintain the efficiency and quality of the Army's supply system.

We discuss actions to report administrative discrepancies in Recommendation A-1.

Monitoring Process

The 200th Theater Army Materiel Management Center's process for monitoring discrepancy reports was effective. The center had adequate controls in place for tracking discrepancy reports and following up on refunds.

Theater Materiel Management Center

When the theater materiel management center received discrepancy reports, it:

- Reviewed and recorded the reports in its database.
- Sent them to the appropriate inventory control points.
- Monitored the outcome of the reports.

Personnel from the center regularly reviewed the database for discrepancy reports that had been outstanding for more than 45 days. They resubmitted reports after 45 days and again, if necessary, after 90 days. After 135 days without a response, center personnel telephoned the item manager at the inventory control point to resolve the problem.

Finance and Accounting Office

The Kaiserslautern Regional Finance and Accounting Office followed up on refunds for the materiel management center. If the inventory control point informed the materiel center that it would receive a refund, the center asked the finance office to verify that the control point posted the refund.

Finance personnel reviewed the Standard Army Finance Inventory Accounting and Reporting System to make sure the refund was posted. If the inventory control point didn't post the refund, the finance office sent a message requesting the refund. The final step in the refund process occurred when the refund passed automatically to the Standard Finance System.

RECOMMENDATION AND COMMENTS

This section contains our recommendation and a summary of command comments for that recommendation. Annex C contains verbatim command comments.

For the Deputy Chief of Staff for Logistics,
U.S. Army, Europe and Seventh Army

A-1 **Recommendation:** Direct reporting units to:

- Submit reports through the corps (for V Corps units) and theater materiel management centers so they can be properly monitored.

- Report significant administrative discrepancies to improve the overall quality of the Army's supply system.

Command Comments: Command agreed with the recommendation and said it would issue a message by 18 October 19XX directing units to submit reports through the corps and theater materiel management centers. Command said that this message and the fielding of the Automated Manifest System throughout the theater by early FY 96 will ensure reporting of all discrepancy reports, including those for significant administrative discrepancies.

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B - QUALITY DEFICIENCY REPORTS

OBJECTIVE

Was command's program for quality deficiency reports used properly and was it effective in obtaining credits for receipts of defective depot-level reparable items?

CONCLUSION

No, reporting units and supporting activities didn't have adequate procedures for processing quality deficiency reports associated with depot-level reparables.

This condition existed because U.S. Army, Europe hadn't issued guidance that tailored standard handling and reporting procedures to fit the logistics structure in place in the European theater. Also, command hadn't established an effective program for monitoring its quality deficiency reports. As a result:

- Units spent additional Operation and Maintenance, Army funds to replace defective items that came from theater repair facilities.

- Reimbursements for initial failure items received from CONUS were credited to the theater's retail stock fund, and the operation and maintenance account at less than the full amount authorized.

Our detailed discussion on these conditions starts on page 15. Our recommendations to improve command's process start on page 20.

BACKGROUND

AR 702-7 (Product Quality Deficiency Report Program) and DA Pamphlet 738-750 (The Army Maintenance Management System) give guidance on how to process quality deficiency reports. Receiving units report defective items on Product Quality Deficiency Reports (Standard Forms 368). The report originator assigns a unique control number to each

report. Personnel also use this form to suggest improvements to equipment or equipment maintenance.

The 21st Theater Army Area Command, through its Quality Assurance and Contract Management Division, monitors the theater's quality deficiency report program. When necessary, the quality assurance division also works with inventory control points to resolve credit issues related to initial failure items.

The 200th Theater Army Materiel Management Center's stock fund division makes sure the theater receives proper credit for initial failure items. The division reports incorrect credits given to the retail stock fund to the area command's quality assurance division. When credits to the theater's operation and maintenance account are incorrect, however, the division can initiate the adjustments itself.

DISCUSSION

This section discusses two areas:

- Theater failures.
- Initial failures.

Reporting units and supporting activities didn't use adequate procedures for processing quality deficiency reports. This occurred because operating personnel weren't aware of the correct procedures and Army regulations don't cover handling defective items received from theater repair facilities.

Also, the standard procedures for processing initial failure items don't address the unique logistics structure in place in the European theater. However, command hadn't issued detailed guidance on how to process quality deficiency reports in the European theater.

While all quality deficiency reports are important, we focused on those reports that dealt with defective equipment produced by theater rebuild facilities and initial failures of depot-level reparable items. We wanted to find out if the reports resulted in proper credits being applied to the

and out if the reports resulted in proper credits being applied to the theater's retail stock fund and its operation and maintenance account.

However, because the procedures units and supporting activities followed made identifying related turn-in transactions difficult, we were able to trace only eight quality deficiency reports (seven theater and one initial

failure) to their corresponding credits. Although our review was limited, we identified problems with the way units and supporting activities processed reports for theater and initial failures.

Theater Failures

Reporting units routinely turned in defective items received from theater maintenance facilities before inspectors could validate the failures. This occurred because unit personnel didn't know they were required to hold the items for validation.

When a unit receives a faulty item from a theater maintenance facility, it should report the failure to the area command's quality assurance division. The 29th Area Support Group (a subordinate of the area command) arranges for a quality assurance inspector to validate the failure. The reporting unit holds the defective item until it receives disposition instructions. Once it validates a failure, the area support group gives the results and disposition instructions to the unit.

Normally, the theater maintenance facility that did the original work will repair the defective item or exchange it for a new one. When like items aren't available, units may have to turn in the bad items and order replacements. Provisions exist, however, to allow the reporting unit to obtain a working item at no additional cost.

We traced seven transactions through the Army's logistical and financial systems for items that the reporting units initially paid about $198,000. In six instances, the units turned the items in before the failures could be validated. These turn-ins resulted in the retail stock fund giving credits of about $100,000 (representing 51 percent of the acquisition cost) to the operation and maintenance account. If the failures had been properly validated, the units could have had the items repaired or received replacement items at no charge. Instead, the theater's operation and maintenance account lost funds of about $98,000 on the failed items.

We discuss actions to define and improve command's process for reporting theater failures in Recommendations B.1 and B.2.

reporting theater failures in Recommendations B-1 and B-2.

Initial Failures

Reporting units and supporting activities didn't have adequate procedures for processing quality deficiency reports for initial failures

[items received from CONUS]. As a result, command didn't receive full credit for defective materiel.

Reporting Initial Failures

U.S. Army Materiel Command guarantees products issued by its depot activities. Consequently, when a depot-level reparable item fails the first time a unit tries to use it, Army Materiel Command will grant a 100-percent credit for the defective item.

Units report initial failures of depot-level reparable items by submitting validated quality deficiency reports to the national inventory control points. They also send copies of the reports to the area command's quality assurance division. Logistics assistance representatives examine the defective items to determine whether receiving units or manufacturers caused the failures. To validate the claims, the representatives write "INITIAL FAILURE-YES" in block 22 of the quality deficiency reports.

Once a report has been validated, the reporting unit returns the item to a CONUS depot. These turn-ins are processed through supply support activities and the European Redistribution Facility (an Army Materiel Command wholesale activity).

When the redistribution facility receives an initial failure item, it posts the receipt to the materiel management center's automated records. This causes the financial systems to process a 100-percent credit from the retail stock fund to the operation and maintenance account. The credit is processed using the final supply support activity's turn-in document number.

Similarly, the finance office supporting the control point processes a 100-percent credit from the wholesale stock fund to the theater's retail

stock fund after the defective item is received at a CONUS depot. This credit is processed using the theater's turn-in document number. However, the control point will grant full credit only if it can match a quality deficiency report to a specific receipt of a defective item at a CONUS depot.

Processing Initial Failure Reports

We traced an initial failure report and corresponding turn-in of a laser range finder to a CONUS depot through the Army's logistical and financial systems. The range finder was valued at about $40,000, but the control point granted a standard turn-in credit of only about $25,000

to the theater's retail stock fund. This occurred because the control point couldn't match the report to the actual receipt of the range finder at a depot.

The theater's financial systems also processed only the standard turn-in credit to the operation and maintenance account. However, neither the area command nor the materiel management center was aware of the transactions because they didn't receive copies of the report.

Here are the specific areas associated with how reporting units and supporting activities processed initial failure reports:

- Validating initial failures.
- Informing inventory control points.
- Using return advice codes.
- Monitoring initial failures.

Validating Initial Failures. Units sometimes didn't get logistics assistance representatives to validate the initial failures.

These representatives protect the interests of the Army by verifying that the failures in question were caused by poor manufacturing or overhaul work done at the depot-level and not by the receiving units. Therefore, it's important that these representatives validate and document the specific causes for equipment malfunctions so command gets the maximum credit from inventory control points.

Informing Inventory Control Points. Command didn't have a mechanism in place for providing the final theater turn-in document number associated with each report to the control points. Control points use these document numbers to link the reports to specific receipts of defective items at CONUS depots. They won't grant the full 100-percent credit unless they can match the reports to the receipts.

After reporting equipment failures, units returned the items to CONUS depots. As the items flowed through the theater's supply system, the turn-in document numbers changed several times. Forward support battalions, main support battalions, and the redistribution facility assigned their own unique document numbers to each turn-in. However, command didn't have a way of providing the final document number associated with each report to the control points.

Command could accomplish this critical task with these procedures:

- Units attach a packing envelope with four copies of the quality deficiency report to each item they turn in.

- The final supply support activities write their turn-in document numbers on all copies of the report. The activities leave three copies of the report attached to the item and forward one copy to the stock fund division at the materiel management center.

- Managers at the stock fund division use the support activity's document number to help them obtain the theater turn-in document number from the automated supply system. If necessary, they can also contact the redistribution facility to obtain the document number. Once obtained, the managers write the final theater turn-in document number on the report. They electronically send a copy of the report to the appropriate control point and forward another copy to the area command's quality assurance division.

Implementing these procedures would provide the control point the information it needs to process the correct credit. Also, the theater's managers would be in a better position to monitor each claim.

Using Return Advice Codes. The redistribution facility should process receipts of initial failure items using a return advice code of "1U." Customers use this return advice code when returning defective materiel to inventory control points. Using this return advice code would cause the standard automated systems to give a 100-percent credit to the theater's operation and maintenance account. Otherwise, the materiel management center must make a manual adjustment for the difference between the standard turn-in credit and a 100-percent credit.

Monitoring Initial Failures. Command didn't have an effective program in place for monitoring its quality deficiency reports. The materiel management center's stock fund division didn't receive copies of the initial failure reports. Also, the center needed to receive the final unit and theater turn-in document numbers related to each report so it could monitor the credits to the retail stock fund and the operation and maintenance account.

Although the area command's quality assurance division had overall responsibility for monitoring the program, it was missing copies of several reports. For example, the division had only 2 of the 25 reports that we obtained from one of the theater's combat divisions. The quality assurance division can't effectively monitor the program unless it receives copies of all reports.

U.S. Army, Europe can help managers at all levels gain visibility of initial failure reporting by requiring reporting units to:

- Process turn-ins of initial failure items with a project code of "QIF" (for Quality Initial Failure). Project codes are used to identify shipments of materiel for specific projects or programs. Using code "QIF" would allow command personnel to query the automated systems specifically for initial failure transactions.

- Write quality deficiency report control numbers in the remarks section of all turn-in documents.

Both of these procedures would improve command's ability to monitor initial failure items. Managers would be able to query the automated supply systems by project code to identify turn-in transactions for initial failure items.

We discuss actions to define and improve command's process for reporting initial failures in Recommendations B-1 and B-3.

RECOMMENDATIONS AND COMMENTS

This section contains our recommendations and a summary of command's comments for each recommendation. Annex C contains verbatim command comments.

For the Deputy Chief of Staff for Logistics,
U.S. Army, Europe and Seventh Army

B-1 **Recommendation:** In coordination with the 21st Theater Army Area Command, define the quality deficiency report process and issue local guidance that gives detailed instructions for reporting and monitoring quality deficiency reports. Make sure the instructions describe the reporting process for both theater failures and initial failures.

Command Comments: Command agreed and said it would issue detailed instructions for quality deficiency reporting for both theater failures and initial failures by 18 October 1995. Also, command's Logistics Finance Committee and the Council of Colonels will monitor compliance with the guidance.

B-2 **Recommendation:** Direct units to hold the defective items for theater failures until quality assurance inspectors validate the failures.

Command Comments: Command agreed with the recommendation and said it would require units to notify the 29th Area Support Group's quality assurance office of theater failures and to hold the defective items until inspectors can validate the failures. Command will also require inspectors to respond to reporting units within 72 hours of being notified of a theater failure. Command will issue this guidance by 18 October 19XX.

B-3 **Recommendation:** For initial failures:

- Direct reporting units to have logistics assistance representatives validate the failures.

- Establish procedures (such as those outlined on pages 18 and 19) for providing the final theater turn-in document number associated with each report to the appropriate control point.

- Request the European Redistribution Facility to use return advice code "1U" when processing initial failure receipts.

- Establish a mechanism for monitoring the results of the program. Specifically, direct reporting units to use project code "QIF" and write quality deficiency report control numbers in the remarks section of all turn-in documents.

Command Comments: Command agreed with the first three parts of the recommendation and proposed an alternative action for the last part--using the project code "QIF." Command said it would issue guidance to subordinate activities on handling initial failures and will request that the redistribution facility use return advice code "1U" when processing initial failures. Target completion date is 18 October 19XX.

Command said that the theater's automated systems can't process project codes on turn-in transactions related to initial failures. Instead, command proposed clearly marking initial failure items to make sure the redistribution facility applies return advice code "1U." The code can then be used for monitoring purposes.

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Agency Evaluation of Command Comments: Command's proposed alternative action to use the return advice code (instead of the project code) to monitor initial failure transactions in the automated systems is reasonable and should help correct the problem we addressed.

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C - KEY MANAGEMENT CONTROLS

OBJECTIVE

Do Army regulations and policies that govern reports of discrepancy and quality deficiency reports identify key management controls?

CONCLUSION

Yes. Army regulations had criteria, guidance, and controls needed to manage reports of discrepancy and quality deficiency reports. But some Army controls didn't address the unique nature of command's operations.

Command effectively implemented the controls for reports of discrepancy, but needed to better implement controls for quality deficiency reports.

Command had controls in place for detecting, reporting, tracking, and following up on discrepancies. However, we have recommendations on strengthening some controls to improve command's reporting process. We discuss these controls in Objective A.

Command hadn't fully defined the key management controls needed to have an effective program for quality deficiency reports. Command needed to:

- Have controls for validating item failures from theater maintenance facilities.
- Tailor standard controls for initial item failures. These controls must address command's unique logistics structure.

We discuss these weaknesses and the recommendations to correct them in Objective B.

ANNEXES

AUDIT SCOPE AND METHODOLOGY

We performed the audit:

- From January through August 1995.

- According to generally accepted government auditing standards. We included the tests of key management controls that we considered necessary under the circumstances.

  Primarily at U.S. Army, Europe and Seventh Army; 21st Theater Army Area Command; 3d Corps Support Command; V Corps; 266th Theater Finance Command (Kaiserslautern Regional Finance and Accounting Office); and the European Redistribution Facility. A complete list of the activities included in the audit is in Annex B.

- At the request of the Office of the Deputy Chief of Staff for Logistics at U.S. Army, Europe and Seventh Army.

We reviewed sample discrepancy reports and quality deficiency reports related to depot-level reparables that command personnel filed during calendar year 1994. To evaluate the effectiveness of command's programs, we:

- Interviewed personnel at command's Office of the Deputy Chief of Staff for Logistics; 21st Theater Army Area Command; 200th Theater Army Materiel Management Center; 3d Corps Support Command; 19th Materiel Management Center; 1st Armored Division; 3d Infantry Division; Kaiserslautern Regional Finance and Accounting Office; and the European Redistribution Facility to determine current procedures for each program.

- Visited the 123d Main Support Battalion; 703d Main Support Battalion; 26th Forward Support Battalion; 159th Aviation Regiment; and the Kaiserslautern Industrial Center to obtain sample reports, observe receiving procedures, and discuss the programs as perceived by reporting activities.

- Reviewed the logistical and financial history files for our sample reports to trace refunds and billing adjustments due to command for discrepant and deficient depot-level reparables.

- Evaluated whether key management controls, as they related to reports of discrepancy and quality deficiency reports, were in place and operating.

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ANNEX B

ACTIVITIES INCLUDED IN THE AUDIT

Headquarters, U.S. Army, Europe
and Seventh Army, Office of the:

Deputy Chief of Staff for Logistics

21st Theater Army Area Command:

Assistant Chief of Staff, Resource Management
200th Theater Army Materiel Management Center
29th Area Support Group
Kaiserslautern Industrial Center

3d Corps Support Command:

19th Materiel Management Center

V Corps:

1st Armored Division
  123d Main Support Battalion
3d Infantry Division
  703d Main Support Battalion
  26th Forward Support Battalion
159th Aviation Regiment

266th Theater Finance Command:

Kaiserslautern Regional Finance
  and Accounting Office

European Redistribution Facility

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ANNEX C

VERBATIM COMMENTS BY COMMAND

DEPARTMENT OF THE ARMY

HEADQUARTERS, UNITED STATES ARMY, EUROPE, and SEVENTH ARMY
INTERNAL REVIEW AND AUDIT COMPLIANCE OFFICE
APO NEW YORK 09403-0100

REPLY TO
ATTENTION OF

AEAGX-IA (36-5c) 28 Aug 5

MEMORANDUM FOR ASSOCIATE REGIONAL AUDITOR GENERAL, SOUTHEASTERN REGION, U.S. ARMY AUDIT AGENCY, 7526 CONNELLEY DRIVE, SUITE J, HANOVER, MARYLAND 21076-1563

SUBJECT: USAREUR Reply to USAAA Draft Report, Reports of Discrepancy and Quality Deficiency Reports For Depot-Level Reparables, USAREUR, 27 Jul 95 (3-95)

1. Reference, memorandum, USAAA, SAAG-SER-EUFO, 27 Jul 95, subject as above.

2. HQ USAREUR staff has reviewed the subject draft report and generally concurs with the report and the recommendations. However, command proposes an alternative solution, in lieu of the corrective action recommended for B-3, part four. A complete command reply is provided at enclosure. All action is expected to be completed by 18 Oct 95.

3. If you need additional information, please contact Ms. Willenburg at DSN 370-

Encl

Chief, Internal Review and
Audit Compliance Office

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ANNEX D

OTHERS RECEIVING COPIES OF THIS REPORT

Assistant Secretary of the Army (Financial Management and Comptroller)
Assistant Secretary of the Army (Installations, Logistics and Environment)
Director of the Army Staff
The Inspector General
Chief of Public Affairs
Deputy Chief of Staff for Personnel
Deputy Chief of Staff for Logistics
Deputy Chief of Staff for Intelligence
Assistant Chief of Staff for Installation Management
Director, Program Analysis and Evaluation
Commanders
- U.S. Army Training and Doctrine Command
- U.S. Army Signal Command
- U.S. Army Criminal Investigation Command
- U.S. Army Intelligence and Security Command
- V Corps
- 21st Theater Army Area Command
- 3d Military Police Group, U.S. Army Criminal Investigation Command
- U.S. Army Logistics Evaluation Agency

Executive Director, U.S. Army Materiel Command Logistics Support Activity
Commandant, U.S. Army Logistics Management College
Director, Center for Army Lessons Learned

Under Secretary of Defense (Comptroller)
Inspector General, Department of Defense
Directors
- Defense Intelligence Agency
- Defense Logistics Studies Information Exchange

Auditors General
- Air Force Audit Agency
- Naval Audit Service

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ANNEX E

AUDIT TEAM

Operations Center

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USAAAR 36-53

Incorporating MANPRINT Into Weapon Systems Development

U.S. Army Audit Agency

1 June 19XX
Audit Report: AA 9X-XXX

USAAAR 36-53

DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
Office of the Deputy Auditor General
Acquisition and Force Management Audits
3101 Park Center Drive
Alexandria, VA 22302-1596

XX June 19XX

Assistant Secretary of the Army (Manpower and Reserve Affairs)
Assistant Secretary of the Army (Research, Development and Acquisition)
Deputy Chief of Staff for Operations and Plans
Deputy Chief of Staff for Personnel
Commander, U.S. Army Training and Doctrine Command
Commander, U.S. Total Army Personnel Command

This is the report on our multilocation audit of incorporating MANPRINT into weapon systems development. The Assistant Secretary of the Army (Manpower and Reserve Affairs) and the Assistant Secretary of the Army (Research, Development and Acquisition) requested the audit. We issued separate reports to the combat and materiel developers of the weapon systems that we reviewed generally commending them for the successful integration of MANPRINT. We recommended that they focus on the total system (soldier and hardware) under the reformed process and that they develop or continue appropriate methods to manage MANPRINT issues in the future.

The command-reply process that Army Regulation 36-2 prescribes will establish the Army's official position on the conclusions, recommendations, and command comments in this report.

This report addressed recommendations in Objectives A, B, and C to the

This report addressed recommendations in Objectives A, B, and C to the Assistant Secretary of the Army (Research, Development and Acquisition). It addresses recommendations in Objectives A, B, C, and D to the Deputy Chief of Staff for Personnel. It also addresses recommendations in Objective B to the Commander, U.S. Army Training and Doctrine Command and a recommendation in Objective C to the Commander, U.S. Total Army Personnel Command.

This report includes a time-sensitive report (Annex C), which we addressed to the Deputy Chief of Staff for Operations and Plans.

I appreciate the courtesies and cooperation you extended to us during the audit.

FOR THE AUDITOR GENERAL:

NAME
Deputy Auditor General
Acquisition and Force
Management Audits

For more information about this audit, please call the Acquisition, Research and Development Audits Division at (703) 681-9593. For copies of the executive summary or extra copies of this report, please call (703) 681-9883.

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Was MANPRINT appropriately integrated into the acquisition process for weapon systems

development?

Yes - individual combat and materiel developers had made sure the human element was integrated into weapons systems. But the process for considering soldiers wasn't an integral part of the developmental process for all weapons systems.

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Will acquisition streamlining impact MANPRINT?

Yes - acquisition streamlining will eliminate some management controls that helped make sure MANPRINT was included in the acquisition process. However, acquisition reforms also provide opportunities to embed the human element in the acquisition process and better integrate the MANPRINT domains in systems.

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Was human systems integration training adequate?

No - the program wasn't adequate for creating an awareness and belief that a fully integrated human systems integration program is critical to the overall success of new weapon systems.

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Will acquisition reform have an effect on the requirements of 10 U.S.C. section 2434?

No - acquisition reform will not have an effect on the requirements of 10 U.S.C. section 2434. But it will remove the need for routine domain assessment reports.

E - Key Management Controls 50

B - Key Management Controls 50

Were key management controls aimed at addressing MANPRINT issues throughout the acquisition process and in place and operating?

Yes - under the old process key management controls were aimed at addressing MANPRINT concerns throughout the acquisition process and were in place and effectively operating for eight of the nine weapon systems reviewed. Under the new process there are opportunites for the Army to fully integrate the human element in systems design and acquisition.

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INTRODUCTION

WHAT WE AUDITED

We audited human systems integration (known as MANPRINT in the Army) in the development and acquisition of weapon systems at Headquarters, DA and at several combat and materiel developers. The Assistant Secretary of the Army (Manpower and Reserve Affairs) and the Assistant Secretary of the Army (Research, Development and Acquisition) requested the audit. The audit focused on the appropriateness of MANPRINT integration into nine weapon systems, as well as the impact acquisition streamlining will have on the Army's MANPRINT program.

We issued separate reports to the combat and materiel developers of the weapon systems and to other activities involved in the MANPRINT program. Annex F contains a listing of these reports.

BACKGROUND

MANPRINT is a systematic and comprehensive program the Army uses for improving the effectiveness of systems at minimum costs throughout their life cycle. The program focuses the attention of the project or program manager on (i) designing materiel for optimal performance within and across seven domains, (ii) identifying human and system interface issues in each domain, and (iii) resolving or managing those issues. The domains are:

- Personnel Capabilities - cognitive and physical capabilities required to train for, operate, maintain, and sustain materiel and information systems.

- Manpower - number of military and civilian personnel required and potentially available to operate, maintain, sustain, and provide training for systems.

- Training - instruction or education and on-the-job or unit training needed to furnish essential skills, aptitudes, and knowledge.

- Human Factors Engineering - integration of human characteristics into system definition, design, development, and evaluation to optimize human-machine performance under operational conditions.

- System Safety - system design features and operating characteristics that minimize potential for errors or failures that cause injury.

- Health Hazards - system design features and operating characteristics that create significant risks of injury or death.

- Soldier Survivability - system characteristics that can reduce fratricide, detectability, and probability of being attacked; and can minimize system damage, soldier injury, and cognitive and physical fatigue.

RESULTS IN BRIEF

MANPRINT was appropriately addressed in the acquisition process for weapon systems development because some key people in the process had an understanding of the need for human systems integration. While acquisition streamlining eliminated some of the management controls that helped make sure MANPRINT was considered, acquisition reform provides some opportunities to embed the soldier element in the acquisition process and achieve better integration of all MANPRINT domains in weapon systems. To truly integrate the soldier element in systems, program managers need to:

- Focus on both the soldier and the hardware while developing systems.

- Be aware of the benefits to be accrued to cost and performance of systems.

- Have access to the human systems experts' input.

But human systems integration training wasn't adequate for creating an awareness and belief that human systems must be fully integrated with weapons systems to maximize cost and performance parameters. The training needs to be added to required curriculums, and existing training should be revised. Acquisition reform removes the need for routine assessments of each MANPRINT domain. Instead, these resources and efforts should be directed toward participation on Integrated Product and Concept Teams (IPT/ICTs).

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AUTHORITY FOR THE PROGRAM

DOD Directive 5000.1 and DOD Regulation 5000.2-R require that an element of the systems engineering process used to translate operational needs into a system solution is a comprehensive management and technical strategy for human systems integration. This strategy is to ensure that human performance; manpower, personnel, and training burdens; and safety and health aspects of systems are considered throughout the design and development processes. Army Regulation 602-2 (Manpower and Personnel Integration (MANPRINT) in the System Acquisition Process) establishes policy, responsibilities, and documentation requirements for implementing a human systems integration program, MANPRINT, in the Army.

OTHER MATTERS

During the audit, we analyzed the factors that influenced the Javelin weapon system design and caused improvements relating to human systems integration domains. Our analysis led us to consider reported problems experienced with the Dragon, which the Javelin will replace. We learned that the Army proposed additional upgrades and enhancements for the Dragon. Therefore, we performed additional work to determine if the upgrades and enhancements were needed. We submitted a time-sensitive finding on the Dragon (Annex C) to the Deputy Chief of Staff for Operations and Plans on 20 May 1996. We recommended that upgrades and enhancements to the Dragon not be made, and we estimated potential monetary benefits of $62.9 million. Command agreed with our recommendation and with monetary benefits of $54.0 million. Details are in Annex C.

RESPONSIBILITIES

The Assistant Secretary of the Army (Manpower and Reserve Affairs) exercises primary Secretariat responsibility for the MANPRINT program.

The Assistant Secretary of the Army (Research, Development and Acquisition) is responsible for establishing Army guidance for integrating human systems (MANPRINT) throughout the development and acquisition process.

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The Deputy Chief of Staff for Personnel exercises primary DA Staff responsibility for the MANPRINT program and is responsible for establishing, coordinating, and disseminating MANPRINT policy, guidance, procedures, and documentation formats to Army commands and agencies.

Program Executive Officers and Project, Program, and Product Managers are responsible for funding and executing a human systems integration strategy within an acquisition program.

U.S. Army Training and Doctrine Command is responsible, at its headquarters, for coordinating the staffing process for requirements documents for all weapon systems. The subordinate schools develop requirements documents and furnish user input during weapon systems development.

The Office of the Deputy Chief of Staff for Plans, Force Integration and Analysis, U.S. Total Army Personnel Command, is responsible for MANPRINT training and assessments of manpower, personnel, and training issues.

The testing activities of U.S. Army Operational Test and Evaluation Command, U.S. Army Test and Evaluation Command, and U.S. Army Materiel Systems Analysis Activity all have responsibilities for planning and conducting tests, reporting results, and providing evaluations of both technical characteristics and operational effectiveness and suitability of all weapon systems.

U.S. Army Research Laboratory is responsible for human factors engineering and soldier survivability assessments and for assisting in research, development, and testing for systems.

* * *

If the Office of the Deputy Chief of Staff for Operations and Plans carries out the recommendations in Annex C of this report, there could be monetary benefits (based on the estimates we could reasonably make at the time of the audit.)

OBJECTIVES, CONCLUSIONS, RECOMMENDATIONS, AND COMMENTS

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A - MANPRINT INTEGRATION INTO WEAPON SYSTEMS

OBJECTIVE

Was MANPRINT appropriately integrated into the acquisition process for weapon systems development?

CONCLUSION

Yes, managers appropriately addressed MANPRINT in eight of the nine weapon systems we reviewed. The Army, however, hadn't fully integrated MANPRINT (human systems) into the acquisition process. That is, the process for considering soldiers wasn't an integral part of the developmental process for all weapon systems. But enough controls were in place for the systems we reviewed to generally make sure human interface issues were addressed.

The combat and materiel developers achieved this successful integration because some key people involved with the weapon systems had a positive perception of human systems integration. This positive perception, coupled with the guidance in AR 602-2, led the developers to establish key management controls that worked to incorporate the human element into the weapon systems.

Field elements of the U.S. Army Research Laboratory effectively supported the combat and materiel developers and, in some cases, facilitated the integration of MANPRINT. Also, the Office of the Deputy Chief of Staff for Personnel and various testing activities supported the developers. However, more timely intervention from both of these elements and better support in the requirements development process from Headquarters, U.S. Army Training and Doctrine Command could have improved the human systems integration.

The incorporation of MANPRINT by the combat and materiel developers resulted in significant improvements to the weapon systems. Ideally, however, MANPRINT should be so well integrated that no decision or action could take place without considering the impact on soldiers. The process for considering soldiers would be inseparable from the acquisition process. We don't address any of the improvements that could be made to the process to completely integrate MANPRINT because

acquisition reform has changed the process. We address MANPRINT and

acquisition reform in Objective B.

Our detailed discussion on this condition starts below. Our recommendations to correct this condition start on page 19.

BACKGROUND

We selected nine weapon systems, with input from Army leaders, to evaluate MANPRINT integration into the acquisition process for weapon systems development:

- Longbow Apache.
- Comanche.
- Land Warrior.
- Javelin.
- Extended Range, Multiple Launch Rocket System.
- Command and Control Vehicle.
- Family of Medium Tactical Vehicles.*
- Air Traffic Navigation, Integration, and Coordination System.*
- Embedded Global Positioning System/Inertial Navigation System.*

  * Nondevelopmental items.

DISCUSSION

This section discusses the results of our work under six major headings related to integrating MANPRINT into the weapon system development process:

- Combat and materiel developers.

  Other Army activities.

- Benefits of MANPRINT.

- Requirements documents.

- Nondevelopmental acquisitions.

- Acquisition streamlining.

Combat and Materiel Developers

Combat and materiel developers appropriately applied MANPRINT in eight of the nine weapon systems we reviewed. We reported the details of our reviews of each weapon system in the local reports listed in Annex F.

The combat and materiel developers achieved this successful integration because some key people in the process had a positive perception of human systems integration. This positive perception, coupled with the guidance in AR 602-2, led the developers to establish some key management controls that worked to integrate the human element and the weapon systems. The developers' perceptions about the importance of human systems integration were attributed to:

- Previous experience with other weapon systems as an operator or maintainer.

- Lessons learned from involvement in the development of other weapon systems.

- Belief that economic benefits could accrue to the program as a result of human integration.

- Innate concern for the operators and maintainers of the weapon system.

For one weapon system we reviewed--the Family of Medium Tactical Vehicles (Audit Report: AA 97-XX)—the program needed a more proactive MANPRINT program. The required performance characteristics section of the requirements document didn't fully consider human integration issues. Further, because the vehicles were nondevelopmental items, MANPRINT didn't receive continuing attention throughout the acquisition

process. Accordingly, operational tests have identified vehicle weaknesses that exist because MANPRINT domains weren't managed.

Overall, individuals and their perceptions and experiences were the main reason MANPRINT was incorporated within the weapon systems. And, when the key people weren't convinced MANPRINT was important, the process in place didn't effectively cause the managers to integrate MANPRINT within the weapon system.

We identified eight key controls that contributed successfully to incorporating MANPRINT in weapon systems. Of these controls, five were required by the guidance current at the time and three were enhancements made by managers. Each weapon system where MANPRINT was appropriately incorporated had at least some of the these controls in place and operating.

Required Controls

These controls emanated from requirements in Army Regulation 602-2:

- A forum or process that made sure all domain issues were considered as the system developed.
- Requirements for early establishment of a MANPRINT program with high-level organizational status.
- Requirements documents that required the incorporation of human systems integration.
- Consideration of human systems integration in source selection criteria.
- A process that ensured MANPRINT issues were recorded, tracked, and resolved.

Additional Controls

AR 602-2 didn't require three controls. They were enhancements some of

the developers established because they believed that human systems integration was important.

- An activity that continued to work with user input as the design matured.

- A responsible leader/manager for coordinating and integrating MANPRINT domains.

report. Personnel also use this form to suggest improvements to equipment or equipment maintenance.

The 21st Theater Army Area Command, through its Quality Assurance and Contract Management Division, monitors the theater's quality deficiency report program. When necessary, the quality assurance division also works with inventory control points to resolve credit issues related to initial failure items.

The 200th Theater Army Materiel Management Center's stock fund division makes sure the theater receives proper credit for initial failure items. The division reports incorrect credits given to the retail stock fund to the area command's quality assurance division. When credits to the theater's operation and maintenance account are incorrect, however, the division can initiate the adjustments itself.

DISCUSSION

This section discusses two areas:

- Theater failures.

- Initial failures.

Reporting units and supporting activities didn't use adequate procedures for processing quality deficiency reports. This occurred because operating personnel weren't aware of the correct procedures and Army

operating personnel weren't aware of the correct procedures and Army regulations don't cover handling defective items received from theater repair facilities.

Also, the standard procedures for processing initial failure items don't address the unique logistics structure in place in the European theater. However, command hadn't issued detailed guidance on how to process quality deficiency reports in the European theater.

While all quality deficiency reports are important, we focused on those reports that dealt with defective equipment produced by theater rebuild facilities and initial failures of depot-level reparable items. We wanted to find out if the reports resulted in proper credits being applied to the theater's retail stock fund and its operation and maintenance account.

However, because the procedures units and supporting activities followed made identifying related turn-in transactions difficult, we were able to trace only eight quality deficiency reports (seven theater and one initial

office contributed to the successful integration of human systems in weapon systems by establishing policy, guidance, and procedures and by supporting the Deputy Chief of Staff for Personnel at decision points. The Directorate for Personnel Technologies, through AR 602-2, outlined some of the key management controls we identified as factors that ensured successful integration of MANPRINT in weapon systems development.

In support of decision review councils, the directorate oversaw preparation of a summary assessment that rated the seven MANPRINT domains on the degree to which open issues could impact the overall effectiveness and safety of weapon systems in development. Through this assessment, the Directorate for Personnel Technologies acted as the coordinator and integrator for the separate domains and prepared the Deputy Chief of Staff for Personnel for periodic review councils.

In theory and in practice, the MANPRINT Assessments functioned as the final voice for human systems integration and provided a safety net to make sure MANPRINT issues and concerns were brought to the decision makers' attention. However, we found that the issues and concerns presented in the assessments generally reiterated the issues and concerns

that had been discussed earlier--and in some cases, resolved--at lower command levels. Also, we found no evidence that the MANPRINT assessments prompted any significant changes to the weapon systems we reviewed. We concluded that the timing of the assessments was generally too late in the process to allow cost-effective changes to weapon systems. We discuss a better way to influence the process, considering the streamlined acquisition process, in Objective B.

Office of the Deputy Chief of Staff for Plans, Force Integration and Analysis

The Office of the Deputy Chief of Staff for Plans, Force Integration and Analysis, U.S. Total Army Personnel Command supported the integration of MANPRINT in the acquisition process by preparing manpower, personnel, and training assessments. (We discuss the future value of these assessments in Objective B.) The office also assisted in preparing summary assessments, for selected weapon systems, and it was responsible for developing and managing MANPRINT training for the Army. (We discuss training in Objective C.)

Testing Community

The testing community was an integral part of the process for evaluating human systems integration. But we found that materiel developers had

difficulty resolving issues at this stage, even when improved system effectiveness was the payoff. It was difficult for the materiel developers to find resources to apply to issues developed this late in the acquisition process because of:

- The timing of the operational testing results.
- Requirements documents that focused primarily on hardware specifications (not performance of the total system, including the soldier).

U.S. Army Training and Doctrine Command

Some subordinate schools involved a human engineering practitioner in the process of developing or refining requirements for weapon systems. But the headquarters didn't support the integration of MANPRINT in the acquisition process due to a lack of personnel skilled in the MANPRINT domains. (We address ways this shortfall could be improved in the reformed acquisition process in Objective B.)

Benefits of MANPRINT

The successful application of human considerations contributed directly to improvements in five of the weapon systems we reviewed:

- Longbow Apache: Clear display terminology improves operator efficiency.
- Comanche: Field replaceable system components improve maintenance time and reduce need for training and tools.
- Javelin: Numerous changes in deployment options improve soldier survivability.
- Extended Range, Multiple Launch Rocket System: Use of improved technology improves soldier survivability.
- Command and Control Vehicle: Reduced interior noise improves soldier performance.

We noted that the effectiveness, usefulness, and acceptance of the developed system was directly reflected in the degree to which human systems were considered during the acquisition process.

Requirements Documents

Throughout the acquisition process, the degree to which the soldier element and the seven MANPRINT domains were addressed was a function of individual project/program managers. The MANPRINT domains were

addressed in the program support sections of the operational requirements documents, but the soldier element wasn't fully integrated in the critical capabilities sections. Thus, the documents didn't cause the developers to focus on the total system (soldier and hardware).

In the weapon system where MANPRINT wasn't fully integrated (Family of Medium Tactical Vehicles, a nondevelopmental item), the materiel developer explained that it was because the soldier element wasn't included in the critical capabilities section of the requirements document. Better integration of human considerations in the requirements documents would improve the chances for fielding more effective systems. (We discuss requirements documents under the reformed acquisition process in Objective B.)

Nondevelopmental Acquisitions

We looked at whether a systemic problem existed with MANPRINT integration in nondevelopmental item acquisition. While we found no evidence of a systemic problem, we did find that the MANPRINT process for nondevelopmental items was almost solely dependent on the materiel developer's perception of the need for human systems integration. Opportunities for domain experts or other interested parties to influence the acquisition were minimal unless the materiel developer specifically included the experts. Therefore, it is essential that materiel developers for nondevelopmental items be influenced to consider the need for human systems integration before purchasing a nondevelopmental item. (We address the issue of decision makers' awareness of the benefits of fully integrating MANPRINT into weapon systems development in Objective D.)

Acquisition Streamlining

Acquisition streamlining made most controls discretionary rather than required. Therefore, the complete integration of human systems and weapon systems will be more important to the success of future systems than it was in the past (Objective B). And the combat and materiel developers' perceptions of the importance of integrating the soldier element will be primary factors that help determine whether developed weapons and soldiers are maximally effective when operated as a system.

We developed the checklist at Annex D to help managers and developers address the issues that most critically affect the successful integration of soldiers and weapon systems. Therefore, in addition to the policy assigning responsibilities for MANPRINT, we recommend that a formal guide with a checklist and examples of MANPRINT or human systems integration successes be incorporated in the acquisition deskbook. The guide and a discussion of successful systems would serve to encourage managers to emphasize human systems integration and it would inform them of the benefits of integrating MANPRINT early in the acquisition process.

Our recommendations to emphasize the importance of human systems integration in each weapon system is at Recommendations A-1 and A-2.

RECOMMENDATIONS AND COMMENTS

This section contains specific recommendations and a summary of command comments for each recommendation. Verbatim command comments are in Annex G.

For the Assistant Secretary of the Army (Research, Development and Acquisition)

A-1 **Recommendation:** Incorporate the guide and checklist developed by the Deputy Chief of Staff for Personnel in the acquisition deskbook.

Command Comments: The Office of the Assistant Secretary of the Army (Research, Development and Acquisition) agreed with the recommendation and took corrective action during the audit.

For the Deputy Chief of Staff for Personnel

A-2 **Recommendation:** Develop a formal guide with a checklist, with input from program managers, MANPRINT practitioners, and domain experts, similar to the one in Annex D. Make sure the guide is incorporated into the deskbook the Office of the Assistant Secretary of the Army (Research, Development and Acquisition) is developing. Also, in the deskbook include the keys to:

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- Having successful MANPRINT Joint Working Groups.

  Successfully managing and resolving MANPRINT issues.

- Using database tools to make sure MANPRINT issues are managed.

- Improving weapon systems through successful MANPRINT integration.

Command Comments: The Office of the Deputy Chief of Staff for Personnel agreed with the recommendation and established a target date of September 19XX.

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D - EFFECT OF ACQUISITION REFORM ON 10 U.S.C. SECTION 2434

OBJECTIVE

Will acquisition reform have an effect on the requirements of 10 U.S.C. section 2434?

CONCLUSION

No, but acquisition reform will have an effect on the way the Army implements the code and on the MANPRINT and supporting assessment reports. The code requires the Army to prepare a manpower estimate. But, under acquisition reform, policy no longer requires a specific format for the manpower estimate report. And the reformed process eliminates the need for routine MANPRINT and domain (feeder) assessments. Specifically:

- The people who prepared the domain assessments should participate in the Integrated Product Teams and Integrated Concept Teams and should identify and resolve issues in that team environment.

- The Deputy Chief of Staff for Personnel will need data typically presented in the assessments only if a major issue can't be resolved at the team or product manager level.

Consequently, there is no longer a need to prepare routine assessments. The Army could better use these resources to have people with a human

The Army could better use these resources to have people with a human systems focus proactively involved in systems development.

Our detailed discussion on these conditions starts on page 46. Our recommendations start on page 48.

BACKGROUND

10 U.S.C. Section 2434

Title 10 U.S.C. section 2434 requires the Secretary of Defense to consider a manpower estimate before approving engineering and manufacturing development, or the production and deployment of a major defense acquisition program. The manpower estimate must include an estimate of the total number of personnel required to operate, maintain, train, and support the program upon full operational deployment.

The DOD acquisition policy also requires that a manpower estimate:

- Outline the DOD component's official manpower position.
- Address whether the program is affordable from a military end strength and civilian workyear perspective.
- Clearly state the risks associated with achieving manpower numbers reported in the estimate.
- Consider the program objectives but base the estimate on a careful assessment of the risks and a realistic appraisal of the level of improvements most likely to be realized.

Previous Assessment Process

Under the previous process, program managers were required to have a MANPRINT Assessment and the five supporting domain assessments prepared before every Milestone Decision Review. The purpose of the assessments was to present MANPRINT issues to the decision makers at the appropriate decision points.

The Directorate for Personnel Technologies in the Office of the Deputy Chief of Staff for Personnel prepared the MANPRINT Assessment. This assessment compiled information taken from the five supporting domain assessments and presented it in an overall summary format which rated the domains based on the potential impact the issues or problems might have on the system's development.

The five supporting MANPRINT domain assessments rated issues, or problems as they affected each domain area. Here are the activities responsible for preparing the assessments:

- The U.S. Army Safety Center was responsible for preparing a Safety Assessment.

  The Army Research Laboratory was responsible for the Human Factors Engineering Assessment and the Soldier Survivability Assessments.

- The U.S. Army Center for Health Promotion and Preventive Medicine was responsible for preparing the Health Hazards Assessment.

- The MANPRINT Division in the Office of the Deputy Chief of Staff for Plans or the combat developer did the Manpower, Personnel, and Training Assessment.

The Manpower, Personnel, and Training Assessment was a commentary on the information contained in various other documents. The MANPRINT Division in the Office of the Deputy Chief of Staff for Plans, Force Integration, and Analysis prepared the assessment using source

documents such as the:

- Manpower Estimate Report.
- Basis of Issue Plan.
- Critical Operational Issues and Criteria.
- Integrated Logistics Support Plan.
- Test and Evaluation Master Plan.
- Mission Need Statement.
- Operational Requirements Document.
- Cost and Operational Effectiveness Analysis.

At the time of our audit, there were about 19 people in the MANPRINT Division who oversaw or prepared the Manpower, Personnel, and Training Assessments.

DISCUSSION

This section discusses these two areas:

- 10 U.S.C. section 2434.
- MANPRINT Assessments and acquisition streamlining.

10 U.S.C. Section 2434

10 U.S.C. Section 2434

The Manpower Estimate Report previously satisfied both the requirements of Title 10 U.S.C. section 2434 and DOD acquisition policy. However, this document is no longer required under the streamlined acquisition process. Instead, the program manager will decide how to meet the requirements of the code. The program manager can ask for a manpower estimate in whatever form fits the acquisition plan.

The Manpower, Personnel and Training Assessment doesn't fulfill the requirements of the code. The assessment is an analysis and rating of the information contained in several documents, including the Manpower Estimate Report.

MANPRINT Assessments and Acquisition Streamlining

The new DOD acquisition policy (5000.1 and 5000.2) doesn't require a MANPRINT Assessment or its five supporting assessments. Further, the new acquisition process is designed to facilitate communication and resolution of issues at the subject matter expert level and, therefore, makes the production of assessments unnecessary in most circumstances. But eliminating the requirement to routinely prepare the MANPRINT Assessment and its five supporting assessments hasn't relieved the program manager of the responsibility of including human systems integration in system development.

Program managers will have the latitude to prepare and structure their human systems integration programs to fit individual circumstances. The DOD acquisition policy requires that the program manager initiate a comprehensive management and technical strategy for human systems integration to make sure these areas are considered throughout the system design and development process:

- Human performance.

- The burden the design imposes on manpower, personnel, and

training.

- System safety.

- Health hazards.

The program manager must specifically analyze safety, health hazards, and soldier survivability.

With the Army System Acquisition Review Council as the focal point for resolving issues, one vehicle to communicate unresolved issues to the decision makers (members of the Council) was the MANPRINT Assessment. In fact, the main purpose of the assessment was to consolidate and rate data related to acquisitions for the use of the Deputy Chief of Staff for Personnel at the Council. But acquisition streamlining changed the role of the Army System Acquisition Review Council and removes the periodic, mandatory forum which gave the Deputy Chief of Staff for Personnel a vote. And the previous role of the MANPRINT Assessments is inconsistent with the objectives of the streamlined acquisition process and the Integrated Product Teams.

The Integrated Product Teams are organized to solve problems as they arise during the development of a system. The teams are equipped to do so because they are to be made up of subject matter experts or stakeholders. Therefore, the domain experts should be members of the teams, should analyze data, and should be prepared to address issues and solutions with the team. Domain experts may need to analyze various documents and "assess" the effect that designs or decisions might have on domain concerns as they prepare for team meetings. The early involvement of domain experts in the development process should result in MANPRINT domains having a more positive impact, reducing the cost of systems, and increasing the overall effectiveness of systems.

Most of the program managers interviewed during the audit said that the Manpower, Personnel, and Training Assessment didn't add value to the development process--primarily because the assessments were too late in the process. We talked with current program managers and system MANPRINT managers and we reviewed the assessments. We concluded that the personnel used to prepare the assessments could be more effectively used and result in a greater benefit to the soldier if, instead, they were personally involved in Integrated Product Teams and Integrated Concept Teams.

Occasionally, the program manager or a domain expert may need to raise an issue to higher command levels and may need to document the issue and explanations. But the resultant document shouldn't require the formality of the current domain assessments with ratings for each area. The current approach undermines the desired acquisition process which is based on empowerment, open communication among all stakeholders, a team orientation, tradeoffs, and a user focus.

To make sure the acquisition process works effectively as designed, program managers must involve MANPRINT domain experts and must value the input of these experts. Our discussion in Objective C and related recommendations on training for program managers address one way to make sure MANPRINT is appropriately valued. The discussion in Objective B about marketing MANPRINT (human systems integration) is another way to improve the perceived value of MANPRINT and, consequently, the involvement of human systems experts.

Thus, while routine assessments won't be needed and would be duplicative, program managers must manage human systems integration. So, to facilitate the interaction necessary to integrate human considerations in an acquisition program, the Army needs its human systems subject matter experts to be active members of Integrated Product Teams.

Our recommendations for eliminating assessments and better responding to the reformed acquisition process are in Recommendations D-1 and D-2.

RECOMMENDATIONS AND COMMENTS

This section contains specific recommendations and a summary of command comments for each recommendation. Verbatim comments are in Annex G.

For the Deputy Chief of Staff for Personnel

D-1 **Recommendation**: Eliminate the requirement for preparing routine MANPRINT Assessments and the Manpower, Personnel, and Training assessments. Prepare the assessments only to address unresolved issues resulting from participating on Integrated Product Teams/Integrated Concept Teams, or when requested by customers or other users.

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Command Comments: The Office of the Deputy Chief of Staff for Personnel agreed and implemented the corrective action during the audit.

D-2 **Recommendation:** To better respond to the reformed acquisition process:

- Restructure the MANPRINT Division located at the Office of the Deputy Chief of Staff for Plans, Force Integration and Analysis. Change the role from being assessors to being proactive members of the decision-making process. Restate the Division's mission and objectives.

- Require and facilitate onsite participation in working-level Integrated Product Teams.

Command Comments: The Office of the Deputy Chief of Staff for Personnel agreed and implemented corrective actions during the audit.

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ANNEXES

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ANNEX A

AUDIT SCOPE AND METHODOLOGY

We conducted the audit:

- From November 19XX to January 19XX
- According to generally accepted government audit standards and included the tests of management controls that we considered necessary under the circumstances.
- At the activities shown in Annex B.
- The audit covered transactions representing operations current at the time of the audit.

During the audit, we:

- Reviewed applicable statutes and laws, DOD and Army regulations, guidance, policies, and procedures relating to MANPRINT and human systems integration.
- Discussed MANPRINT and human systems integration with responsible personnel at various command levels.
- Reviewed and analyzed MANPRINT and human systems integration

- Reviewed and analyzed MANPRINT and human systems integration documentation and contributing information for nine weapon systems.

- Reviewed processes and procedures associated with MANPRINT and human systems integration at DA Staff elements, combat and materiel development organizations, support activities, and MANPRINT domain expert activities and elements.

- Analyzed similar processes for other Military Services.

- Analyzed reformed acquisition policy and guidance to determine its effect on human systems integration and MANPRINT.

- Used subject matter and legal experts to evaluate human integration issues and to interpret acquisition laws and policies.

ANNEX B

ACTIVITIES INCLUDED IN THE AUDIT

Office of the Assistant Secretary of the Army
(Manpower and Reserve Affairs)
Office of the Assistant Secretary of the Army
(Research, Development and Acquisition)
Office of the Deputy Chief of Staff for Logistics
Office of the Deputy Chief of Staff for Operations and Plans
Office of the Deputy Chief of Staff for Personnel,
Directorate for Personnel Technologies
U.S. Army Training and Doctrine Command
U.S. Army Materiel Command
U.S. Army Aviation and Troop Command
U.S. Army Missile Command
U.S. Army Tank-automotive and Armaments Command
U.S. Army Soldier Systems Center
U.S. Army Program Executive Offices

Aviation
Tactical Missiles
Armored Systems Modernization
Tactical Wheeled Vehicles
U.S. Army Aviation Center and Fort Rucker
U.S. Army Field Artillery Center and Fort Sill
U.S. Army Infantry Center and Fort Benning
U.S. Army Armor Center and Fort Knox
U.S. Army Transportation Center and Fort Eustis
U.S. Army Research Laboratory - Human Research Engineering Directorate
U.S. Army Research Laboratory - Survivability and Lethality Analysis Directorate
U.S. Army Materiel Systems Analysis Activity
U.S. Army Operational Test and Evaluation Command
U.S. Army Center for Health Promotion and Preventive Medicine
U.S. Army Logistics Management College, Office of the Program Manager, Soldier
U.S. Army Training and Doctrine Command Analysis Center and Fort Lee
Defense Systems Management College
Defense Acquisition University
U.S. Air Force
U.S. Navy

ANNEX D

HUMAN SYSTEMS INTEGRATION CHECKLIST

1. Does the operational requirements document clearly address human (soldier) issues and state requirements in terms that address total system capabilities (soldier + hardware) in the critical characteristics section?

2. Have the physical and cognitive abilities of personnel who will operate, maintain, and sustain the system been fully considered?

3. Has the number of personnel required to operate, maintain, sustain, and provide training for the system been identified during system design to maximize flexibility for design changes to be considered that could reduce life-cycle personnel costs?

4. Has the instruction or education, and on-the-job or unit training required to provide personnel with essential skills, aptitude, and knowledge required by system design been completely identified as early in the development as possible?

5. Is the integration of human characteristics into system definition, design, development, and evaluation to optimize human-machine performance under operational conditions imbedded in the process throughout the acquisition?

6. Have the design features and operating characteristics of the system that serve to minimize the potential for human or machine errors that could cause injury been specifically identified and maximized?

7. Have the design features and operating characteristics of the system that create significant risks of bodily injury or death been thoroughly investigated and reasonable steps taken to minimize the risk and protect the soldier?

8. Have the characteristics of the system that can reduce fratricide, detectability, and probability of being attacked, as well as minimize system damage, soldier injury, and cognitive and physical fatigue been considered?

9. Has user input been sought and considered throughout the development and acquisition?

ANNEX F

OTHER REPORTS ISSUED

Report

Issued	Title	Date
AA XX-XX	Incorporating MANPRINT Into Weapon Systems Development (Javelin and Extended Range Multiple Launch Rocket System)	8 Apr XX
AA XX-XXX	Incorporating MANPRINT Into Weapon Systems Development (Longbow Apache and Comanche)	14 Apr XX
AA XX-XXX	Incorporating MANPRINT Into Weapon Systems Development (Command and Control Vehicle)	30 Apr XX
AA XX-XXX	Time-Sensitive Report, Procurement of Upgrades and Enhancements for the Dragon Weapon System, Audit of Incorporating MANPRINT Into Weapon Systems Development	20 May XX
AA XX-XXX	Incorporating MANPRINT Into Weapon Systems Development (Army Research Laboratory)	28 May XX
AA XX-XX	Incorporating MANPRINT Into Weapon Systems Development (Test and Evaluation)	30 May XX
AA XX-XXX	Incorporating MANPRINT Into Weapon Systems Development (Land Warrior)	30 May XX
AA XX-XXX	Incorporating MANPRINT Into the Family of Medium Tactical Vehicles	17 Dec XX

ANNEX G

VERBATIM COMMENTS BY COMMAND

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Office of the Deputy Chief of Staff for Personnel	87
U.S. Army Training and Doctrine Command	92
U.S. Total Army Personnel Command	97

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ANNEX G

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH DEVELOPMENT AND ACQUISITION
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

REPLY TO ATTENTION OF

30 OCT 1997

SARD-RP

MEMORANDUM FOR HEADQUARTERS, U.S. ARMY AUDIT AGENCY, 3101 PARK CENTER DRIVE, ALEXANDRIA, VIRGINIA 22302-1596

SUBJECT: Audit of Incorporating MANPRINT into Weapon Systems Development

Recommendation: A-1. Incorporate the guide and checklist developed by the Deputy Chief of Staff for Personnel in the acquisition deskbook.

Comment: Agree. We will work with the Manpower and Personnel Integration Division to ensure the guide and checklist are included in the deskbook.

Recommendation: B-1. Consistent with the focus acquisition reform places on the user and the soldier, make sure the soldier element is appropriately considered throughout the acquisition development process by:

- Making a human systems integration contact a required member of each Integrated Product Team (IPT).

- Requiring the seven MANPRINT domain points of contact be informed of all IPT formations.

- Showing examples in the acquisition deskbook of critical characteristics from requirements documents (or develop a sample) to illustrate full integration of the soldier element.

Comments: Partially agree. The use of IPTs is embedded in the new DoD 5000 series acquisition policy

[NOTE: The remaining pages of command comments were not used in this regulation.]

ANNEX H

OTHERS RECEIVING COPIES OF THIS REPORT

Assistant Secretary of the Army (Financial Management and Comptroller)
Director of the Army Staff
The Inspector General
Chief of Public Affairs
Deputy Chief of Staff for Logistics
Assistant Chief of Staff for Installation Management
Deputy Assistant Secretary of the Army for Budget
Director, Program Analysis and Evaluation
Commanders
- U.S. Army Materiel Command
- U.S. Army Criminal Investigation Command
- 3d Military Police Group, U.S. Army Criminal Investigation Command
- 6th Military Police Group, U.S. Army Criminal Investigation Command
- U.S. Army Aviation and Troop Command
- U.S. Army Missile Command
- U.S. Army Tank-automotive and Armaments Command
- U.S. Army Soldier Systems Command
- U.S. Army Armor Center and Fort Knox
- U.S. Army Aviation Center and Fort Rucker
- U.S. Army Field Artillery Center and Fort Sill
- U.S. Army Infantry Center and Fort Benning
- U.S. Army Transportation Center and Fort Eustis
- U.S. Army Research Laboratory
- U.S. Army Materiel Systems Analysis Activity
- U.S. Army Operational Test and Evaluation Command
- U.S. Army Center for Health Promotion and Preventive Medicine

Program Executive Officers
- Armored Systems Modernization
- Aviation
- Tactical Missiles

Tactical Missiles
Tactical Wheeled Vehicles
Commandant, U.S. Army Logistics Management College
Director, Center for Army Lessons Learned

Under Secretary of Defense (Comptroller)
Inspector General, Department of Defense
Directors
Defense Intelligence Agency
Defense Logistics Studies Information Exchange
Auditors General
Air Force Audit Agency
Naval Audit Service

ANNEX I

AUDIT TEAM

Capital Field Office

XXXXXXXXXXXX
XXXXXX XXX

Detroit Field Office

XXXXXXX XXXX
XXXXXX
XXXXXXXXXX

Fort Belvoir Field Office

XXXXXX XXX
XXXXXXXX
XXXXXXX
XXXXXXXXXX
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Hanover Administrative Workcenter

XXXXXXXX
XXXXX XXX
XXXXXXX

Hanover Field Office

XXXXXX
XXXXXXXXX

Huntsville Field Office

XXXXXX XXXXX
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XXXXXX
XXXXXX

U.S. Army Aviation and Troop Command Field Office

XXXXXXXX
XXXXXXXX

ANNEX A

ACTIVITIES INCLUDED IN THE AUDIT

Activity	Audit Period	Audit Report Number
Headquarters, Department of the Army, Office of the:		
Assistant Secretary of the Army (Research, Development and Acquisition)	Dec 8X-Jul 8X	a/
Assistant Secretary of the Army (Financial Management)	Dec 8X-Jul 8X	a/
Director of Information Systems for Command, Control, Communications, and Computers	Dec 8X-Jul 8X	a/
Defense Supply Service--Washington		

Headquarters	Mar 8X-Mar 8x	a/
U.S. Army, Europe and Seventh Army		
1st Personnel Command	Mar 8X-Apr 8X	a/
Forces Command		
Headquarters	Sep 8X-May 8X	SO 8X-601
Fort McPherson	Sep 8X-May 8X	SO 8X-602

a/ This report includes results from the audit of this activity. We did not report the results separately.

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U.S. Army Audit Agency

Total Asset Visibility-Operational Projects

17 November 19XX
Audit Report: AA XX-XX

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DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
Office of the Deputy Auditor General
Logistical Audits
3101 Park Center Drive
Alexandria, Virginia 22302-1596

17 November 19XX

Commander, U.S. Army Forces Command
Commander, U.S. Army Materiel Command

This is our report on the multilocation audit of total asset visibility-operational projects.

These are the report's key sections:

- The Summary of the Audit is an overview of what we audited and found.
- General Information tells how we conducted the audit and includes important information on matters related to the audit.
- The Findings section describes in detail the conditions we found. It also presents our recommendations and your comments.
- Annex A lists the activities included in the report. Annex B contains your verbatim command comments on specific recommendations. Annex C lists others receiving copies of the report. Annex D lists the audit team.

I appreciate the courtesies and cooperation extended to us during the audit.

FOR THE DEPUTY AUDITOR GENERAL:

NAME
Program Director
Wholesale and Retail Logistics Audits

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SUMMARY OF THE AUDIT

WHAT WE AUDITED

We audited the data in the Army's Total Asset Visibility capability for operational projects. The audit focused on the completeness and reliability of the data.

OBJECTIVES, CONCLUSIONS AND COMMAND RESPONSES

We established two specific objectives for the audit. Here are those

objectives, our conclusions and command responses to the related findings and recommendations:

Objective: To determine whether authorization and onhand asset data in the Army's Total Asset Visibility capability for operational projects was complete and reliable.

Conclusion: Generally, existing documentation supported the authorizations for operational projects in the capability. However, during the audit, DA and U.S. Army Materiel Command were in the process of revising the authorizations to reflect reductions and consolidations in the number of operational projects. Materiel Command needed to ensure that the revisions, once approved, are accurately reflected in the capability.

Onhand asset balances for operational projects in the Total Asset Visibility capability weren't complete or reliable.

- At U.S. Army Support Office, about $367 million in asset balances for operational projects wasn't reported accurately in the capability. The Support Office had not reported asset data since October 1995.

- At two installations about $26 million in asset balances for operational projects wasn't reported accurately in the capability. The capability was displaying asset balances for the installations under outdated routing identifier codes. The installations didn't follow guidance that required them to notify U.S. Army Logistics Support Activity about new routing identifier codes.

In addition, the capability didn't have visibility over assets loaned from operational project stocks.

U.S. Army Forces Command and Materiel Command could increase the reliability of asset data for operational projects by:

- Making sure that the Support Office has the proper communications software and procedures to properly report asset balances for operational projects.

- Correcting the problem with the reporting of asset transactions for operational projects from the Corps/Theater Automatic Data Processing Servicing Centers.

- Including in the capability the visibility over assets on loan.

- Reminding installations to follow guidance for the Retail Supply System by notifying U.S. Army Total Asset Visibility Program Office of new routing identifier codes.

- Instructing installations to periodically review the capability to validate the integrity of the data.

We also found that Army managers at both the wholesale and retail levels generally didn't use the Total Asset Visibility capability in managing operational projects.

None of the six activities we visited used the capability. We identified opportunities at both wholesale and retail activities for managers to use the capability to redistribute assets to improve readiness and reduce requirements of operational projects. Here's what we found:

- At one wholesale activity, we used the capability to review 19 stock numbers with onhand excess assets from operational projects. The assets were identified under a holding account that was used to account for assets on operational projects that had been deleted or reduced. For eight stock numbers, about $76 million could have been used to fill requirements on other operational projects.

- At one retail activity, duplicate assets totaling about $18,500 were stored at both the installation and a depot for the same project. The operational project manager at the installation didn't use the capability and therefore didn't have visibility over assets stored at the depot.

Forces Command and Materiel Command could increase the use of the capability in managing operational project assets by:

- Having the Logistics Support Activity include assets in the operational project holding account (project code "PPP") in the module of the capability used for maintaining visibility over stocks for operational projects.

- Directing operational project managers at the wholesale level to periodically review and redistribute assets in the holding account.

- Providing guidance and training to operational project managers at the retail level on how to use the capability to manage assets in operational projects.

Command Response: Forces Command and Materiel Command generally agreed with the findings and recommendations and said they had taken or would take corrective actions. Forces Command didn't agree to redistribute excess water containers to satisfy shortages in other operational projects, but proposed an alternative course of action (Recommendation B-5).

(Our recommendations and command comments are in Findings A and B.)

Objective: To determine whether Army regulations that prescribe policy for total asset visibility for operational projects adequately identify key management controls.

Conclusion: Army regulations that prescribe policy for total asset visibility of operational projects didn't adequately identify key management controls.

We reviewed regulations that address the necessary key management controls. We found weaknesses in the areas of the integrity of asset data for operational projects in the capability and in the use of the capability in managing operational projects. In the Findings section of this report, we discuss these weaknesses in detail. The senior management control administrator should track and report the weaknesses according to the current guidance for the process.

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* * *

The command-reply process that AR 36-2 prescribes will establish the Army's official position on the findings, recommendations and command comments.

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GENERAL INFORMATION

AUDIT SCOPE AND METHODOLOGY

We performed the audit:

- From August 19XX through September 19XX.
- In accordance with generally accepted government auditing standards and included tests of management controls that we considered necessary under the circumstances.
- At the Office of the Deputy Chief of Staff for Logistics, U.S. Army Forces Command, two installations under U.S. Army Training and Doctrine Command, and U.S. Army Materiel Command and three of its subordinate commands. Annex A contains a list of the activities included in the audit.

The audit covered transactions representative of operations current at the time of the audit.

In determining whether authorization and onhand asset data for operational projects in the capabilities was accurate and reliable, we

tional projects in the capability was complete and reliable, we:

- Obtained printouts of asset data for war reserves from the U.S. Army Total Asset Visibility Program Office.
- Obtained downloads of onhand balances for operational projects from six locations.
- Compared authorized quantities in the capability with quantities in source documentation.
- Compared onhand balances in the capability with balances in the source systems.
- Interviewed operational project managers at various levels to determine why differences in onhand balances occurred and why data wasn't reported.
- Interviewed personnel at various levels regarding the use of the capability in managing assets belonging to operational projects.
- Compared excesses and shortages in operational projects stocks to determine if the excesses could be redistributed.

RESPONSIBILITIES

DA is the executive agent for developing and implementing the Total Asset Visibility capability DOD-wide.

The Deputy Chief of Staff for Logistics is responsible for developing and maintaining supply policy.

Forces Command is responsible for operational projects that support troops. Command manages operational project stocks stored at CONUS installations at the retail level.

Materiel Command is responsible for the management of operational project stocks. Command develops and implements policies and controls, and budgets for assets needed to fill requirements for operational projects. Command is also responsible for managing assets for operational projects stored at wholesale activities.

The Total Asset Visibility Program Office, under the jurisdiction of U.S. Army Materiel Command Logistics Support Activity, operates and maintains the Army's Total Asset Visibility capability.

FINDINGS, RECOMMENDATIONS AND COMMENTS

FINDING A: ASSET BALANCES FOR OPERATIONAL PROJECTS

For the Commander, U.S. Army Materiel Command

and

For the Commander, U.S. Army Forces Command

SUMMARY

The accuracy of onhand asset balances for operational projects in the Total Asset Visibility capability needs to be increased.

At one wholesale activity, about $367 million in asset balances for operational projects wasn't reported accurately to the capability because the activity didn't have procedures and software to report the asset balances.

At two retail installations, asset balances totaling about $26 million for operational projects weren't reported accurately in the capability because:

- The installations didn't follow guidance that required them to notify U.S. Army Materiel Command Logistics Support Activity about new routing identifier codes.

- The servicing center that received data from the installations didn't create asset status transactions that the capability could read.

In addition, the capability didn't have visibility over assets loaned from operational project stocks.

Without adequate assurance that the capability accurately obtains and displays all data relating to operational project assets, Army managers could make decisions that aren't in the Army's best interest.

Our recommendations to correct these conditions begin on page 19.

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BACKGROUND

DOD Total Asset Visibility

In April 19XX DOD published a Total Asset Visibility Implementation Plan. According to the plan, one goal of total asset visibility is to provide accurate and timely information on assets in storage (assets on hand at wholesale and retail activities).

The capability contains a separate module for maintaining visibility over assets for operational projects. The module is the Army's only product that provides comprehensive visibility over onhand wholesale and retail assets for operational projects—including the condition, location and related project codes.

DISCUSSION

This section discusses two areas:

- Data accuracy.
- Loaned assets.

Data Accuracy

The accuracy of asset data for operational projects in the Total Asset Visibility capability needs to be increased. We compared the data in the capability with data for operational projects contained in source systems at two wholesale and four retail activities. At three activities (one wholesale and two retail), data in the capability for operational projects generally matched the data in the source systems. However, at the other three activities, our review showed that the capability didn't have accurate

activities, our review showed that the capability didn't have accurate data for about $393 million of assets for operational projects.

Wholesale Balances

The capability didn't contain accurate data for operational project assets managed by U.S. Army Support Office, Philadelphia. The Support Office manages Army assets for operational projects stored at installations operated by Defense Logistics Agency installations. As of September 19XX,

the records at the Support Office showed that it managed about $367 million in operational project assets. However, the capability contained only about $260 million in operational project assets. We reviewed balances for 50 high-dollar stock numbers, valued at about $127 million, and found that the capability balances didn't agree with the records at the office for 42 stock numbers (84 percent). This occurred because the office had not reported asset data to the capability since October 19XX.

The asset data wasn't reported because:

- The Support Office didn't have the proper communications software to report the balances.

- The operational projects manager wasn't receiving asset balances from item managers on a regular basis. The Support Office didn't have procedures outlining when asset balances should have been reported to the operational projects manager.

In December 19XX we issued a memorandum to the Support Office identifying the problem areas. The office agreed with our conclusions and said it would correct the problems discussed in the memorandum. U.S. Army Materiel Command should verify that actions taken by the Support Office were effective.

Retail Balances

The capability didn't contain accurate data for assets in operational projects managed by Fort Bragg and Fort Stewart. Installation records from the Standard Army Retail Supply System-Objective showed that the two installations managed about $26 million in operational project assets. We compared the asset balances in the Supply System with the balances in the capability and found that:

- About 71 percent of the Supply System balances we reviewed at Fort Bragg didn't agree with the capability balances.

- About 89 percent of the Supply System balances we reviewed at Fort Stewart didn't agree with the capability balances.

We found two primary reasons for the differences:

- The installations didn't notify the Total Asset Visibility Program Office at the Logistics Support Activity about new routing identifier codes.

- The Corps/Theater Automated Data Processing Servicing Center had not created asset status transactions with a document identifier code that the capability could read.

Routing Identifier Codes. Neither Fort Bragg nor Fort Stewart notified the program office about new routing identifier codes. As part of the conversion from the Standard Army Intermediate Level Supply System to the Standard Army Retail Supply System-Objective, installations were to notify the program office about new routing identifier codes. The codes identify activities that receive, issue and store materiel.

We found that the capability was displaying asset balances for the installations under the old identifier codes associated with the Intermediate Level Supply System. For example, the code in the capability for Fort Stewart was "AW9" instead of the new Retail Supply System code of "WH8." Because the code wasn't correct, the capability wasn't able to properly identify trans-

actions affecting asset balances for operational projects at Fort Stewart.

According to personnel at the program office, none of the installations that converted to the Retail Supply System notified them of the new codes. Program office personnel told us they became aware of the problem during the audit, but elected to have the capability continue to reflect balances under the old routing identifier codes until the problem with document identifier codes was resolved. [See the following discussion on the Servicing Center.] U.S. Army Forces Command needed to make sure that operational project managers at the retail sites followed the implementation plan and notified the program office about new routing identifier codes. Also, operational project managers needed to check the capability to make sure codes were correct.

Servicing Center. The Corps/Theater Automatic Data Processing Servicing Center at Fort Bragg didn't create transactions with a code the capability could read. The center provided service to Fort Bragg and Fort Stewart at the time of the audit. Transactions affecting asset balances in the capability have a document identifier code of "DZ_." When an installation under the Retail Supply System initiated a transaction affecting an asset balance for an operational project, the system created a transaction with a code of "YB_." The transaction was passed to the Servicing Center. When the center received the "YB_" transaction, it should have initiated a "DZ_" transaction and provided it to the Defense Automated Addressing System so that the capability could retrieve the transaction. The capability's balance could then accurately reflect the balance at the installation. We found that the Servicing Center wasn't creating the "DZ_" transaction.

Personnel at the program office told us this was a problem with all servicing centers under the Retail Supply System and that they had been working

with the proponent of the system (Project Manager, Standard Army Management Information Systems) to resolve the issue since May 19XX.

Materiel Command needed to make sure that actions underway to correct

the problem with the reporting of transactions affecting asset balances for operational projects under the Standard Supply System are effective. Once the problem is corrected, Forces Command should have its operational project managers periodically check the capability to ensure that it accurately reflects asset balances for operational projects.

Actions needed to ensure that asset balances for operational projects are accurately reflected in the capability are in Recommendations A-1 through A-3 and A-5 through A-7.

Loaned Assets

The capability didn't have visibility over assets on loan from operational projects. Loaned assets were visible in the Retail Supply System, but not in the capability. We believe that such information should be in the capability so that managers above the installation level can be aware of what assets are on loan and can help make sure that assets on loan are returned timely and in proper condition.

Action needed to ensure that the capability has visibility over operational project assets on loan is in Recommendation A-4.

RECOMMENDATIONS AND COMMENTS

This section contains specific recommendations and a summary of command comments for each recommendation. Verbatim command comments are in Annex B.

For the Commander,
U.S. Army Materiel Command

A-1 **Recommendation:** Verify that the actions taken by the Support Office to make sure that its asset balances for operational projects are accurately reflected in the capability are effective.

Command Comments: Materiel Command agreed and said the Support Office asset balances will be included in the capability during the 1st quarter FY XX.

A-2 **Recommendation:** Make sure that actions initiated by the Total Asset Visibility Program Office to correct the problem with the reporting of transactions from the Standard Army Retail Supply System-Objective which affect asset balances for operational projects are effective.

Command Comments: Materiel Command agreed and said that U.S. Army Logistics Integration Agency tasked a contractor to work with U.S. Army Combined Arms Support Command and other Army activities to identify solutions to the problems with the reporting of transactions from the Standard Army Retail Supply System-Objective. The contractor is to report back to the Agency by December 19XX. Upon identification of the solutions, system changes to the Retail Supply System will be developed and scheduled for implementation.

A-3 **Recommendation:** Have the program office obtain a listing of the fielding schedule for the Standard Army Retail Supply System-Objective and ensure that the capability reflects new routing identifier codes for those locations.

Command Comments: Materiel Command agreed and said that U.S. Army Training and Doctrine Command currently gives the U.S. Army Materiel Command Logistics Support Activity the implementation schedules for the Retail Supply System. The program office will use the schedules to make sure the capability reflects new identifier codes for new sites.

A-4 **Recommendation:** Take action to have the capability maintain visibility over operational project assets on loan to other activities.

Command Comments: Materiel Command agreed and said that necessary programming changes to have the capability maintain visibility over assets on loan from operational projects to other activities will be implemented in conjunction with the actions taken in response to Recommendation A-2.

For the Commander,
U.S. Army Forces Command

A-5 **Recommendation:** Remind installations converting to the Standard Army Retail Supply System-Objective to follow implementation guidance and notify the Total Asset Visibility Program Office about new routing identifier codes for operational projects.

Command Comments: Forces Command agreed and said it will remind installations to follow the implementation guidance. It will also require installations to review routing identifier codes and unit designations for accuracy and to report any errors to the program office.

A-6 **Recommendation:** Have installations check to see that new routing identifier codes are in the capability. Initiate corrective action if the codes aren't correct.

Command Comments: Forces Command agreed and said it will require installations to review routing identifier codes and unit designations for accuracy and report any errors to the Logistics Support Activity.

A-7 **Recommendation:** Establish procedures to have installations periodically check that transactions affecting the asset balances for operational projects are accurately reflected in the capability once Materiel Command corrects the problems with the reporting of transactions affecting asset balances for operational projects.

Command Comments: Forces Command agreed and said it will require managers to use the capability as an additional tool in managing operational projects and as a method for verifying data entered into the capability. Command also said that the Logistics Support Activity is responsible for reconciling the capability data

Support Activity is responsible for reconciling the capability data and providing differences to the major command for followup.

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FINDING B: USE OF OPERATIONAL PROJECT DATA

For the Commander, U.S. Army Materiel Command

and

For the Commander, U.S. Army Forces Command

SUMMARY

Army managers at both the wholesale and retail levels generally didn't use the Total Asset Visibility capability in managing operational projects. None of the six activities we visited used the capability. We identified opportunities at both the wholesale and retail level where managers could have used the capability to redistribute assets to improve readiness and reduce requirements of operational projects.

At U.S. Army Aviation and Troop Support Command[1], we used the capability to review 19 stock numbers where excess assets for operational projects had been identified. The assets were identified under a holding account for assets for which an operational project requirement had been deleted or reduced. For eight stock numbers, about $76 million could have been used to fill the requirements of other operational projects.

The excess assets weren't redistributed primarily because:

- The module of the capability used for managing operational project assets didn't contain the assets in the holding account.

- Materiel Command had not developed policy defining how commodity managers should use assets in the holding account for operational projects to fill requirements, or the timeframes for holding the assets in the account.

In addition, managers at the retail level didn't use the capability in managing operational projects they were responsible for. As a result, the managers didn't have visibility over all the assets belonging to the operational projects they managed. At one installation, duplicate assets were stored at separate locations for the same project. The operational project

[1] Effective 1 October 19XX, Aviation and Troop Command merged with U.S. Army Missile Command, and is now known as U.S. Army Aviation and Missile Command.

managers had not received training on the capability and its applications.

Our recommendations to correct these conditions begin on page 26.

BACKGROUND

Operational project assets are those supplies and equipment which are authorized above normal allowances. The assets support specific operations, humanitarian assistance, disaster relief, contingencies and war plans. Assets stored at depots are managed by the wholesale activities under Materiel Command. Assets stored at CONUS installations are managed by Forces Command. Fourteen operational projects were approved when the audit was done. Within each project are various sets

of supplies and equipment. For control purposes, each of the sets is assigned a three-digit operational project code.

Business rules in ARs 710-1 (Centralized Inventory Management of the Army Supply System) and 710-2 (Inventory Management Supply Policy Below the Wholesale Level) contain the policies for using the Army's Total Asset Visibility capability in managing and redistributing assets, including those for operational projects.

The capability is the only tool that provides complete visibility of all assets in operational projects. The capability contains a separate module for managing these assets.

DISCUSSION

This section discusses two areas:

- Wholesale use.
- Retail use.

Wholesale Use

Army managers at the wholesale level didn't use the capability to manage operational project assets. Neither the Support Office nor Aviation and Troop Support Command used the capability for managing onhand assets in operational projects. Personnel at the office and command told us it was easier to use local or standard Army systems. We didn't identify any effect from not using the capability at the Support Office. However, at the Aviation and Troop Support Command, we used the capability to identify about

and Troop Support Command, we said the capability to identify about $76 million in excess assets in a holding account for operational projects.

We reviewed 19 stock numbers with the highest onhand dollar value in the holding account (project code "PPP") that contained excess assets from operational projects that had been deleted or reduced. The 19 stock numbers were valued at about $154 million. For eight of the stock numbers, about $76 million of equipment could have been used to fill requirements and improve readiness for other operational projects. Here are two examples:

- For stock number 1670-00-872-6109 (cargo parachute), 49,160 assets were on hand in project code "PPP" located in New Cumberland and Sharpe Army Depots. We found requirements valued at about $24 million for these assets in project code "PQD" (aerial delivery equipment).

- For stock number 1670-00-587-3421 (cargo aerial bag), 46,002 assets were on hand at Anniston Army Depot in project code "PPP." We found a requirement of about $12 million for these assets in project code "PBA" (aerial delivery equipment).

During the audit we notified Aviation and Troop Support Command about the assets in project code "PPP." Command took action to redistribute the assets to satisfy valid requirements. Materiel Command should validate that those actions were effective.

We identified two primary reasons why action hadn't been taken before the audit started:

- Materiel Command had not established policy regarding the review and redistribution of assets in the holding account. Some of the assets had been in the holding account since 19XX. During the audit command issued a memorandum, dated 10 February 19XX, instructing managers to "cross-level" stocks from project code "PPP" against valid requirements. Command needed to establish policy regarding the timeframes for retaining assets in the holding account for operational projects.

- The module of the capability used for managing assets in operational projects didn't include the assets in the holding account. Project code "PPP" also contained assets managed by other wholesale activities. The Logistics Support Activity needed to take action to include project code "PPP" in the war reserve module of the capability to ensure that assets included in the holding account are readily visible to operational project managers.

Officials at the Office of the Deputy Chief of Staff for Logistics and Materiel Command told us that Congress had not approved any funding for supplies and equipment for operational projects since before 19XX. The only funding relating to operational projects that had been approved was for the care of supplies and equipment in storage. Therefore the redistribution of assets using the Total Asset Visibility capability may be the only way to improve the readiness of operational projects.

Actions needed to ensure that assets in project code "PPP" are redistributed to satisfy operational project shortages are in Recommendations B-1 through B-3.

Retail Use

Operational project managers at four installations we visited (Fort Bragg, Fort Stewart, Fort Eustis and Fort Bliss) weren't using the capability to maintain visibility over operational projects. Managers believed the standard Army systems they used (Standard Army Retail Supply System-Objective or Standard Army Intermediate Level Supply System) provided complete visibility over the operational projects they managed. However, the standard systems provided only limited visibility; neither system provided visibility over assets stored at other locations.

At Fort Stewart managers weren't aware that about $144,000 in assets for a project they managed (project code "PEL"—water supply support) were stored at Sierra Army Depot. At Fort Bragg the project manager didn't know about assets stored at Sierra Depot to support project code "PEI" (water supply support). Using the capability we identified about 2,000 five-gallon water containers, valued at about $18,500, stored at both Fort Bragg and Sierra Depot. The excess containers could be used to satisfy shortages in other operational projects.

The other retail sites we visited didn't have any assets stored at remote locations.

None of the operational project managers at the installations we visited had received training on the capability. We contacted the training offices at the installations to determine if they had any training material for the capability

prepared by the Logistics Integration Agency (for example, software, manuals and videos). None of the offices had any material or were aware of the resources available.

A Forces Command official told us that operational project managers at the installations had not received any training because the official believed the project managers weren't part of the "target audience" for the capability. The official also expressed concern that the project managers may not have the resources needed to use the capability. We believe that all managers involved in managing assets should receive training on and be required to use the capability.

Forces Command needed to ensure that its operational project managers receive the training needed and are provided the necessary resources to use the capability for managing assets in operational projects. Command should also have Fort Bragg initiate action to redistribute the excess water containers to satisfy other shortages.

Actions needed to make sure that the capability is used in managing operational project stocks are in Recommendations B-4 through B-6.

RECOMMENDATIONS AND COMMENTS

This section contains specific recommendations and a summary of command comments for each recommendation. Verbatim command comments are in Annex B.

For the Commander,
U.S. Army Materiel Command

B-1 **Recommendation:** Direct the Logistics Support Activity to include assets in project code "PPP" in the module of the capability used for maintaining visibility over assets in operational projects.

Command Comments: Materiel Command agreed and took action to include project code "PPP" assets in the capability. A system change request was in process when the audit ended.

B-2 **Recommendation:** Develop and provide guidance to instruct operational project managers to periodically review assets in project code "PPP" and to initiate actions to either redistribute or dispose of excess assets.

Command Comments: Materiel Command agreed and said a system change request was initiated on 22 October 19XX to eliminate stratification of asset to default "PPP" project code. The system change will automatically stratify project code "PPP" assets against other prepositioned stocks if no other operational project requirements exist. The program changes are scheduled to be released in December 19XX.

B-3 **Recommendation:** Verify that the actions taken by the Aviation and Troop Support Command to redistribute excess assets in project code "PPP" were effective.

Command Comments: Materiel Command agreed and said that assets at Aviation and Troop Support Command were redistributed in February 19XX.

For the Commander,
U.S. Army Forces Command

B-4 **Recommendation:** Have the installations involved in managing operational projects obtain training materials on the Total Asset

Visibility capability and provide training to operational project managers. If necessary, have personnel from the Total Asset Visibility Program Office provide specific training on using the war reserve module of the capability in managing assets in operational projects. Once these actions are taken:

- Make sure managers have the resources necessary to use the capability.

- Require managers to use the capability in managing assets in operational projects.

Command Comments: Forces Command agreed and said it would implement the recommended actions.

B-5 **Recommendation:** Have the Directorate of Logistics at Fort Bragg initiate action to redistribute the excess water containers from project code "PEI" to satisfy shortages in other operational projects.

Command Comments: Forces Command didn't agree and said that Fort Bragg doesn't have the authority to redistribute DA-owned project stock assets. Instead command will coordinate with Third U.S. Army to determine the status of the water cans. After the assessment, command will request disposition instructions from DA for any excess assets. The process is expected to be completed at the end of March 19XX.

B-6 **Recommendation:** Issue guidance to all operational project managers on using the capability to manage assets in operational projects. Have the managers review the status of assets stored at both their own installation and depots to determine if there is duplicate storage of assets.

Command Comments: Forces Command agreed and said that, by

March 19XX, it will notify operational project managers to use the capability as an additional management tool for operational projects and data integrity. Also, a review of all operational projects will be conducted based on the April 19XX Army War Reserve Operational Project Working Group meeting. Upon completion of the review, command will implement agreed-upon revisions for the storage of assets.

ANNEXES

ACTIVITIES INCLUDED IN THE AUDIT

Headquarters, DA

Deputy Chief of Staff for Logistics

U.S. Army Forces Command

3d Infantry Division and Fort Stewart
18th Airborne Corps and Fort Bragg

U.S. Army Materiel Command

U.S. Army Aviation and Troop Support Command[1]
Logistics Support Activity
  Army Total Asset Visibility Program Office
U.S. Army Support Office

U.S. Army Training and Doctrine Command

U.S. Army Air Defense Artillery Center and Fort Bliss
U.S. Army Transportation Center and Fort Eustis

[1] Effective 1 October 19XX, Aviation and Troop Command merged with U.S. Army Missile Command, and is now know as U.S. Army Aviation and Missile Command.

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ANNEX B

VERBATIM COMMENTS BY COMMAND

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND
5001 EISENHOWER AVENUE, ALEXANDRIA, VA 22333-0001

REPLY TO ATTENTION OF

01 AUG 97

AMCIR-A (36-5c)

MEMORANDUM FOR AUDITOR GENERAL, U.S. ARMY AUDIT AGENCY,
ATTN: SAAG-LAL, 3101 PARK CENTER DRIVE,
ALEXANDRIA, VA 22302-1596

SUBJECT: Tentative Finding and Recommendations "Operational Project Asset Balances, Audit of Total Asset Visibility - Operational Project Stocks"

1. Reference memorandum, USAAA, SAAG-LAL, dated 1 July 97, subject as above.

2. As requested, we have reviewed subject tentative finding and recommendations. Our proposed command position is enclosed.

3. Point of contact for this audit is Mr. David Robinson, (703) 617-9024.

4. AMC -- America's Arsenal for the Brave.

FOR THE COMMANDER:

Encl
as

Acting Chief, Internal Review
and Audit Compliance Office

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ANNEX C

OTHERS RECEIVING COPIES OF THIS REPORT

Assistant Secretary of the Army (Financial Management and Comptroller)
Assistant Secretary of the Army (Installations, Logistics and Environment)
Director of the Army Staff
The Inspector General
Deputy Chief of Staff for Logistics
Deputy Chief of Staff for Personnel
Assistant Chief of Staff for Installation Management
Deputy Assistant Secretary of the Army for Budget
Director, Program Analysis and Evaluation
Commanders
- U.S. Army Training and Doctrine Command
- U.S. Army Criminal Investigation Command
- 3d Military Police Group, U.S. Army Criminal Investigation Command
- U.S. Army Aviation and Missile Command
- U.S. Army Air Defense Artillery Center and Fort Bliss
- 18th Airborne Division and Fort Bragg
- 3d Infantry Division and Fort Stewart
- U.S. Army Soldier Systems Command
- U.S. Army Transportation Center and Fort Eustis
- U.S. Army Support Office, Philadelphia
- U.S. Army Logistics Integration Agency

Executive Director, U.S. Army Materiel Command Logistics Support Activity
Commandant, U.S. Army Logistics Management College
Director, Center for Army Lessons Learned

Under Secretary of Defense (Comptroller)
Inspector General, Department of Defense
Directors
  Defense Intelligence Agency
  Defense Logistics Studies Information Exchange
Auditors General
  Air Force Audit Agency
  Naval Audit Service

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ANNEX D

AUDIT TEAM

Xxxxxxx Field Office

Xxxxx J. Rxxxxx

Xxxxxxxxxxx Field Office

Xxxxxx Sxxxxx

Xxxx Xxxxxxxx Field Office

Xxxxxxx Fxxxxx
Xxxxxxx Hxxxxxx
Xxxxxx Kxxxxxx
Xxxx Mcccccc

Xxxxxxxxx Field Office

Xxxxx Cxxxxxx

Xxxxxxxxxxx Administrative Center

Xxxxxxx Axxxxxx
Xxxxxxxxx Cxxxxxxx

Xxxxxxxxxxx Field Office

Xxxxxxx Txxxxxx
Xxxxx Wxxxxx
Xxxxx Wxxxxxxxx

APPENDIX Q

MEMORANDUM REPORT
(DETAILS IN BASIC MEMORANDUM)

USAAAR 36-53

DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
Office of the Deputy Auditor General
Financial Audits
3101 Park Center Drive
Alexandria, Virginia 22302-1596

2 June 19XX

SAAG-FAF (36-5e)

MEMORANDUM FOR Commander, Lake City Army Ammunition Plant

SUBJECT: Audit of the Army's FY XX Financial Statements, Government-Furnished Property, Audit Report: AA 9X-XXX

1. **Introduction.** The Defense Federal Acquisition Regulation requires contractors to report government property in their possession annually as of 30 September on DD Form 1662 (DOD Property in the Custody of Contractors). The form currently contains nine property categories: land, other real property, other plant equipment, industrial plant equipment, special test equipment, special tooling, military property (agency-peculiar), government-furnished material, and contractor-acquired material. As part of the subject audit, we visited contractors and government property administrators to evaluate controls over government property in the possession of contractors. Our overall objective was to determine if the information reported on the DD Form 1662 was accurate enough for use in financial reporting. To do this, we:

- Reviewed the DD Form 1662 for presentation and compliance with reporting requirements.

- Reviewed the property administrator's evaluations of the contractor's property control system.

- Traced selected items of government property from the contractor's records to their actual location in the contractor's facility to verify

the property's existence. We then traced selected items of property from their physical location in the facility back to the property records to verify the records were complete.

- Evaluated the contractor's support for unit prices used to value property in its property records and subsequently on the DD Form 1662.

We visited Lake City Army Ammunition Plant, Independence, Missouri, from August 19XX to February 19XX.

SAAG-FAF
SUBJECT: Audit of the Army's FY XX Financial Statements, Government-Furnished Property, Audit Report: AA XX-XXX

2. **Background**

a. DOD personnel enter the DD Form 1662 data into the Contract Property Management System database, which is maintained by the Defense Logistics Agency. The Army uses the value of property (except land and other real property) reported in the system as the source for reporting contractor-held property in its financial statements.

b. Contractors are required to establish and maintain an adequate property control system to manage, protect, preserve, and maintain all government property in accordance with government-specified requirements.

c. The property administrator is responsible for evaluating a contractor's property control system during contract performance, and determining whether the contractor is effectively and efficiently complying with the terms of the contract, regulatory requirements, and other special requirements imposed by the procuring activity. The evaluation normally covers 15 functions: property management, acquisition, receiving, identification, records, movement, storage, physical inventories, reports, consumption, utilization, maintenance, subcontractor control, disposition, and contract property closeout. If the evaluation shows unsatisfactory conditions, the property administrator may disapprove the contractor's property control system. In such cases the [illegible]

property control system. In such a case, the contractor is potentially subject to increased liability for any loss, damage, or destruction of government property.

3. **Results.** Overall, we concluded the information reported on the DD Form 1662 wasn't accurate enough for use in financial reporting. The contractor's property control system was adequate for physical accountability, but not for fiscal accountability (valuation).

a. **Reporting DD Form 1662 Data.** The DD Form 1662 dated 30 September 1995 included work in process that shouldn't be reported as government property. Also, some items were double counted because they were included in two different property categories—other plant equipment and military property.

(1) The ammunition plant included work-in-process totaling about $17 million ($7 million for materials and $10 million for labor and overhead) in the contractor-acquired material category on the DD Form 1662. Work-in-process shouldn't be reported as government property on

SAAG-FAF
SUBJECT: Audit of the Army's FY XX Financial Statements, Government-Furnished Property, Audit Report: AA XX-XXX

the DD Form 1662. Raw material acquired by the contractor should be reported as inventory until released to the production process.

(2) All weapons at the ammunition plant (except those used by the North American Treaty Organization's testing facility—a government operation) were reported as other plant equipment. However, 537 of these weapons valued at about $1.2 million were also reported as military property because they were categorized as not being commercially available. Since the other plant equipment and the military property balances are components of the overall equipment with contractors account, the 537 weapons that weren't commercially available were reported twice.

b. Property Administrator's Responsibilities. The property

b. **Property Administrator's Evaluations.** The property administrator's evaluations of the contractor's property control system for FYs 94-96 were adequate. The property administrator evaluated all 15 functional areas and approved the contractor's property control system each year.

c. **Physical Accountability.** Physical accountability for government property was adequate. We traced selected items from the property records to the actual location in the contractor's facility to verify their existence (forward testing). We also traced selected items from the physical locations back to the property records to verify the completeness of the records (reverse testing). Our forward and reverse tests encompassed a total of 44 items valued at about $5.2 million. All sample items were located and properly accounted for in the contractor's property records.

d. **Valuation of Property.** Fiscal accountability (valuation) for government property was inadequate. To determine the adequacy of unit pricing, we reviewed the 44 items in the previous forward and reverse samples. We found the contractor didn't have adequate supporting documentation for the prices recorded in the property records for 23 (52 percent) of the 44 sampled items. Original invoices or receiving reports were usually available only for items received after 19XX. The current contractor took over the plant in 19XX and was given manual property records from the former contractor. However, the former contractor didn't give the current contractor the original invoices or receiving reports for government property. Therefore, the current contractor used amounts from the manual records of the former contractor as a basis for valuing government property in its automated system. We also found that amounts recorded in the contractor's property system didn't agree with original

invoices or receiving reports for 4 of the 21 items that had original

documents. However, these amounts weren't significant and were generally attributed to peripheral costs such as distribution or installation charges that weren't added to the property records.

4. **Recommendations**

a. Do not include work-in-process on the DD Form 1662 (DOD Property in the Custody of Contractors).

b. Ensure that government property is reported in only one category on the DD Form 1662.

5. **Request for Comments.** Please review the information in the memorandum and provide comments on the reported facts, conclusions, and any action you take on our recommendations. This memorandum report isn't subject to the reply process as prescribed by AR 36-5. However, our results will be included in summary reports on government-furnished property to be issued to U.S. Army Industrial Operations Command and to the Assistant Secretary of the Army (Financial Management and Comptroller). If you have any questions, please contact Mr. Xxxx Mxxxx at DSN XXX-XXXX or commercial (XXX) XXX-XXXX. Our facsimile number is (XXX) XXX-XXXX.

6. **Closing Remarks.** Thank you for the cooperation and courtesies you and your staff extended to us during the audit.

FOR THE DEPUTY AUDITOR GENERAL:

NAME
Program Director
General Fund Audits

CF:
Commander, U.S. Army Industrial Operations Command

APPENDIX R

MEMORANDUM REPORT
(DETAILS IN ENCLOSURE TO MEMORANDUM)

USAAAR 36-53

DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
Office of the Deputy Auditor General
Financial Audits
3101 Park Center Drive
Alexandria, VA 22302-1596

SAAG-FAP XX August XX

MEMORANDUM FOR Assistant Secretary of the Army (Financial Management and Comptroller)

SUBJECT: Evaluation of the Army Management Control Process, FY XX, (Office of the Assistant Secretary of the Army (Financial Management and Comptroller))--AA XX-XX

1. This is the report on our review of the Army Management Control Process at the Office of the Assistant Secretary of the Army (Financial Management and Comptroller).

2. The management control process was effectively implemented. The enclosure describes what we reviewed and our objectives and conclusions.

3. We discussed the results of our review with key personnel at the activities visited. They were receptive to our evaluation results. This report isn't subject to the official command-reply process.

4. Thank you for the courtesies and cooperation extended to us during the review.

FOR THE DEPUTY AUDITOR GENERAL:

Encl

NAME
Program Director
Performance Measures,
Budget and Costing

CF:
Deputy Assistant Secretary of the Army

(Financial Operations), ASA(FM&C)

Printed on Recycled Paper

EVALUATION OF THE ARMY MANAGEMENT CONTROL PROCESS

WHAT WE REVIEWED

From May through October 19XX, we reviewed the management control process at the Office of the Assistant Secretary of the Army (Financial Management and Comptroller).

We made the review, in most material respects, in accordance with generally accepted government auditing standards. We tested the management control process existing at the time of our review. We didn't follow certain aspects of the fieldwork and reporting standards. In our opinion, however, not following those standards had no material effect on the results of our review.

We reviewed the preparation of the FY XX Assistant Secretary of the Army (Financial Management and Comptroller)'s annual assurance statement and the supporting documentation, and the status of any open material weaknesses at the Office of the Assistant Secretary of the Army.

OBJECTIVES AND CONCLUSIONS

We established two objectives for our evaluation. Here are those objectives and our conclusions:

Objective: To determine whether the Assistant Secretary of the Army (Financial Management and Comptroller) fairly identified and corrected, or promptly scheduled for correction, material weaknesses.

Conclusion: The Assistant Secretary of the Army (Financial Management and Comptroller) fairly identified and corrected, or promptly scheduled for correction, material management control weaknesses.

The Assistant Secretary's office identified three material weaknesses in FY XX and expects to report those weaknesses again in FY XX. It doesn't anticipate presenting any additional weaknesses during FY XX.

Enclosure

Management Control Evaluations. The Assistant Secretary of the Army (Financial Management and Comptroller) had an effective 5 year management control plan that covered FY XX through FY XX. The plan also identified management control evaluations to be conducted, the office responsible for conducting evaluations, and when evaluations were to be conducted. There were six assessable unit managers assigned. We performed reviews at the offices of three assessable unit managers, the:

- Executive Officer,
- Deputy Assistant Secretary of the Army (Financial Operations),
- Director, Cost and Economic Analysis Center.

Of those three managers, two--the Executive Officer and the Deputy Assistant Secretary of the Army (Financial Operations)--were required to perform management control evaluations in FY XX. The Executive Officer was responsible for evaluating two functions, and the Deputy Assistant Secretary was responsible for evaluating one function. Our review of the completed evaluations showed that the methods they used to evaluate the functions were adequate. For instance, Executive Officer personnel appropriately used the:

- Governing Army regulation for assessing the budget execution function.
- Command Supply Discipline Program--an existing method

of evaluation—to assess the supply function.

Responses to evaluation questions were adequate, and "yes" responses were appropriately explained. We detected no deficiencies, and the assessable unit managers certified the DA Forms 11-2-R (Management Control Evaluation Certification Statements).

Material Weaknesses. The Assistant Secretary of the Army (Financial Management and Comptroller) identified and reported three material management control weaknesses (Accounting System, Civilian Retirement Claims Processing, and Unsynchronized Financial and Supply Systems Introduce Too Much Uncertainty in Financial Statements) in the FY XX annual assurance statement. We interviewed key personnel to obtain the status of the reported weaknesses. Office of the Assistant Secretary personnel closely coordinated with representatives of

DOD and our Agency to monitor corrective actions. When the Assistant Secretary reported the Accounting System weakness as a DOD high-risk area, the Defense Finance and Accounting Service--DOD's functional proponent for finance and accounting--recommended that the Assistant Secretary discontinue reporting it as an Army weakness. The Army will now transfer the weakness to DOD and combine it with existing DOD weakness No. 91-036, General Ledger Control and Financial Reporting. As a result, the Assistant Secretary of the Army plans to report this weakness as a closed action in the FY XX assurance statement.

Objective: To determine whether the Assistant Secretary of the Army (Financial Management and Comptroller) had reasonable support for the FY XX annual assurance statement.

Conclusion: The Assistant Secretary of the Army (Financial Management and Comptroller) had reasonable support for the FY XX annual assurance statement.

Implementation Guidance. The Assistant Secretary of the Army (Financial Management and Comptroller) issued effective guidance

(Financial Management and Comptroller) issued effective guidance for implementing the management control process to assigned assessable unit managers. The guidance, signed by the Assistant Secretary, was explicit and included pertinent information in accordance with AR 11-2 requirements. For example, the guidance stressed the importance of leadership emphasis and provided guidelines for preparing the FY XX annual assurance statement. The guidance included "how to" samples on:

- Reporting an activity's program assessment.
- Assessing DOD high-risk areas.
- Identifying and reporting material weaknesses.

We found that the activities visited appropriately disseminated the Assistant Secretary's guidance to their key activity managers. The activity managers, in turn, disseminated the guidance to personnel within their respective offices.

Management Control Training. The Army management control administrator, Internal Review and Management Control Directorate, contacted assessable unit managers to schedule management control process training. As of 30 September 19XX, the administrator had provided training to 106 assigned personnel:

- 6 assessable unit managers.
- 6 management control administrators.
- 94 other key personnel.

The administrator gave assigned personnel an administrator's handbook and a video. Additionally, the administrator conducted a management control workshop that included management control administrators from major Army commands, Headquarters, DA activities, and field operating agencies. We reviewed the handbook and video. The information they contained will assist personnel in obtaining a better understanding of the Army Management Control Process and help ensure successful process implementation.

4

APPENDIX S

MEMORANDUM REPORT
IN OBJECTIVE (PREFERRED) FORMAT

USAAAR 36-53

Value Engineering Program

Savannah District
U.S. Army Corps of Engineers
Savannah, Georgia

U.S. Army Audit Agency

23 December 19XX

Audit Report: AA XX-XX

Annex_S.pcx (15053 bytes)

CONTENTS

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Results in Brief 5

Office of Management and Budget Guidelines 6

Responsibilities and Resources 6

Objectives, Conclusions, and Suggested Actions

A - Implementing the Circular 9

Did the district's value engineering policies adequately implement Office of Management and Budget Circular A-131?

Yes, the district's policies incorporated Office of Management and Budget guidance and complied with the intent of Circular A-131. But the district needs to make sure it applies the policies to all of its planned

work.

B - Processing Value Engineering Proposals 13

Did the district have good procedures for reviewing and processing value engineering proposals?

Yes, the district had good procedures in place for reviewing and processing value engineering proposals. But it can enhance management controls by making sure final designs include all approved proposals.

C - Reporting Costs and Savings 19

Were value engineering costs and savings properly reported by the district?

Yes, the district accurately reported costs associated with value engineering efforts and reasonably reported savings. It can, however, improve the timeliness of reporting savings from contractor-submitted proposals.

D - Key Management Controls 23

Were key management controls, as they related to the district's value engineering program, effective?

Yes, overall, the district's key management controls, as they related to its value engineering program, were effective.

Annexes

A - Audit Scope and Methodology 27

B - Audit Team 28

INTRODUCTION

WHAT WE AUDITED

We audited the U.S. Army Corps of Engineers, Savannah Engineer District's policies and procedures for implementing Office of Management and Budget guidelines for value engineering as specified in its Circular A -131. The audit was part of a multilocation audit. Therefore, we will include the results in a summary report to higher levels of management.

The audit focused on the district's actions to:

- Plan and conduct value engineering studies.
- Report related costs and savings.
- Promote contractor-generated change proposals.

RESULTS IN BRIEF

The Savannah Engineer District:

- Adequately implemented Office of Management and Budget guidelines by having a structure in place to do value engineering studies. But it can expand the use of value engineering techniques by having the value engineering officer take part in program review meetings so that the officer is aware of the full extent of the district's workload.
- Performed studies that resulted in proposals showing ways to realize savings in project designs.
- Used appropriate value engineering clauses in its construction contracts and encouraged contractors to take part in the program. But it needs to strengthen management controls to make sure that final designs include all approved value engineering proposals.
- Accurately reported costs associated with its value engineering efforts, and the reported savings were reasonable. However, it can improve on the timeliness of reporting savings resulting from contractor-generated proposals.
- Overall, had an effective system of management controls for its value engineering program.

OFFICE OF MANAGEMENT AND BUDGET GUIDELINES

The Office of Management and Budget requires Federal agencies to use value engineering as a management tool, where appropriate, to reduce program and acquisition costs.

Value engineering originated in the industrial community, and the Federal Government has accepted it due to the potential for yielding a large return on investment. It's a technique directed toward analyzing the functions of a project or process to determine best value or the best relationship between worth and costs.

RESPONSIBILITIES AND RESOURCES

The Savannah Engineer District--an operating component of the Corps of Engineers' South Atlantic Division--has these broad missions within its geographical area of responsibility:

- Planning, designing, and constructing military facilities for the Departments of the Army and the Air Force.
- Operating and maintaining flood control, river, and harbor facilities.
- Planning, designing, and constructing river and harbor, multiple purpose, and flood control works.
- Administering laws pertaining to civil works activities.

As of October 1995, the Savannah District had 1,180 military and civilian personnel assigned. During FY 95, the district awarded military construction contracts totaling about $484.4 million and civil works-related contracts totaling about $30.6 million.

OBJECTIVES, CONCLUSIONS, AND SUGGESTED ACTIONS

USAAAR 36-53

A - IMPLEMENTING THE CIRCULAR

OBJECTIVE

Did the Savannah Engineer District's value engineering policies adequately implement Office of Management and Budget Circular A-131?

CONCLUSION

Yes, the district's policies incorporated Office of Management and Budget guidance and complied with the intent of Circular A-131. But the district needs to make sure it applies the policies to all of its planned work.

The district did value engineering studies for Military Construction, Army projects because the value engineering officer reviewed all upcoming projects and obtained necessary funding for the studies.

However, the district didn't consistently use value engineering for some of its civil works, operation and maintenance, and hazardous waste projects. This occurred because:

- The value engineering officer didn't get to review all planned construction projects estimated at over $2 million; and supply, services, and operation and maintenance projects estimated at over $1 million.

- Some project engineers believed that budget constraints and other types of reviews precluded the need for value engineering studies.

Consequently, the district missed opportunities to realize savings by applying value engineering techniques to all of its workload.

Our detailed discussion on these conditions starts on page 10. Our suggested action is on page 12.

BACKGROUND

Office of Management and Budget Circular A-131 specifies that Federal agencies will develop policies to identify programs and projects with the most potential to yield savings from the application of value engineering techniques.

According to the circular, agencies should apply value engineering techniques to planned acquisitions with estimated costs in excess of $1 million. However, agencies can set other thresholds with Office of Management and Budget authorization. The U.S. Army Corps of Engineers uses these thresholds to identify major construction projects and other types of acquisitions for value engineering studies:

- Construction projects with programmed amounts of $2 million or more.
- Supply, services, and operation and maintenance projects with programmed amounts exceeding $1 million.

DISCUSSION

This section discusses these two areas:

- Military Construction, Army projects.
- Other projects.

Military Construction, Army Projects

The Savannah Engineer District had:

- A professional engineer as its full-time value engineering officer to review upcoming projects, identify those with good potential for savings, and conduct the value engineering studies.

- The value engineering officer reporting directly to the Chief of the Engineering Division.

- A good system in place to obtain funding for value engineering studies of designs for construction of new Army facilities, DOD medical facilities, and DOD dependent schools.

Most of the value engineering officer's efforts dealt with Army new construction projects. The district awarded Military Construction, Army contracts (over $2 million) totaling about $153 million during FY XX and about $79 million during FY XX. Corps of Engineers policy requires districts to report implemented savings for value engineering studies in the quarter the districts award the associated construction contracts.

This table shows the costs and savings the district reported for value engineering studies on the designs of Military Construction, Army contracts it awarded during FYs XX and XX:

	FY XX	FY XX
Studies implemented	19	10
Gross savings	$16,434,000	$23,417,000
Costs of studies	646,000	319,000
Net savings	$15,788,000	$23,098,000

The district reviewed Military Construction, Army projects to:

- Identify candidates for value engineering studies, basing selection on a 10-to-1 return on investment ratio.

- Estimate study costs and request funding for the studies in a timely manner.

Other Projects

The district's value engineering officer didn't consistently review civil works, operation and maintenance, and hazardous waste projects for value engineering candidates. This occurred because:

- The value engineering officer didn't get to review all planned construction projects estimated at over $2 million; and supply, services, and operation and maintenance projects estimated at over $1 million.

- The engineer-in-charge of hazardous waste projects thought that budget constraints--and numerous reviews by State and Federal agencies--precluded the need for value engineering studies.

As a consequence, opportunities to increase value engineering benefits existed within the district. For example, during FYs XX and XX, the district:

- Awarded at least four civil works construction contracts (each in excess of $2 million) valued at about $19 million.

- Awarded and administered 30 operation and maintenance contracts for U.S. Air Force and Army installations--each exceeding $1 million in value. However, the value engineering officer didn't have the opportunity to review any of these projects to evaluate if doing value engineering studies was warranted.

We also found that designs for Special Operations Forces and Air Force new construction projects didn't undergo value engineering studies. These projects weren't reviewed because:

- Service component managers for these projects didn't designate

monies for doing value engineering studies.

- Air Force guidance (Air Force Instruction 32-1023) established a $10 million threshold for mandating value engineering studies for construction projects.

As a general rule, therefore, the value engineering officer didn't plan to do studies for Special Operations Forces and Air Force projects although the projects were programmed in excess of $2 million. For example, during FYs 94 and 95, the district awarded 24 new construction contracts for the Air Force--each in excess of $2 million--that totaled about $112 million. But none of the designs underwent value engineering studies because Air Force managers didn't authorize funds for the district to perform the studies.

SUGGESTED ACTION

For the Commander,
Savannah Engineer District

A-1 Have the value engineering officer take part in program review meetings that address the status of design work for the district's military, civil works, operation and maintenance, and hazardous waste projects.

B - PROCESSING VALUE ENGINEERING PROPOSALS

OBJECTIVE

Did the district have good procedures for reviewing and processing value engineering proposals?

CONCLUSION

Yes, the district had good procedures in place for reviewing and processing value engineering proposals. But it can enhance management controls by making sure final designs include all approved proposals.

For both value engineering proposals and contractor-generated change proposals, the district had sound procedures because the value engineering officer was actively involved in the review and approval process. Also, the district encouraged contractors to participate in the value engineering change proposal program.

However, potential value engineering savings sometimes didn't actually accrue because approved proposals weren't included in final designs. This occurred because the district didn't have a check during the final design review to make sure all approved proposals were incorporated in final design packages.

Our detailed discussion on these conditions starts on page 14. Our suggested action is on page 17.

BACKGROUND

Value engineering is an organized effort by the Corps of Engineers to analyze functions and equipment for the purpose of constructing facilities at the lowest total cost without sacrificing quality or operation and maintenance capabilities.

Generally, the Corps of Engineers uses two types of value engineering actions:

- A study team--composed of either Corps of Engineers employees or contractor personnel--reviews a project's design and makes proposals on methods to reduce costs or enhance the quality of design functions. To realize the greatest potential savings and

prevent construction delays, these value engineering studies should be done during the early design stage, usually when the design is about 35 percent complete.

- During the construction phase of a project, the construction contractor is encouraged to submit value engineering change proposals on more cost-effective ways to construct a facility. If the Corps of Engineers approves the change proposal, it modifies the contract and the contractor gets 55 percent of the resulting cost savings.

DISCUSSION

This section discusses these two areas:

- Value engineering studies.
- Value engineering change proposals.

Value Engineering Studies

The district conducted 23 value engineering studies on project designs during FY XX, and in FY XX it performed 16 studies. For the most part, the district did value engineering studies on designs of new construction projects planned for Army installations.

The district relied on contracts with commercial architect-engineer firms to do the studies, with coordination and oversight by the value engineering officer. The value engineering officer selected, on a case-by-case basis, the types of expertise the engineer firm needed to perform a study--such as engineers from the architectural, electrical, mechanical, and structural disciplines.

We reviewed in detail eight of the value engineering studies the district performed for construction contracts it awarded in FY XX and FY XX. Generally, the district used this process to do the value engineering studies:

- The initial phase brought together the study team and representatives from the Corps of Engineers, the designer, the installation facilities engineer, and the user of the facility to review the project when the design was about 35 percent completed (the concept design stage). Each study used a systematic approach to review high-dollar areas of a project's design to determine if costs could be reduced by revising planned construction methods or using less costly designs.

- The final phase consisted of a formal presentation of the study proposals to the representatives who attended the initial meeting. At the presentation, the participants usually made the final decision to accept or reject the various proposals in the study.

Here are two examples of approved proposals from a value engineering study of the design for a maintenance facility at Fort Gordon, Georgia:

- One of the approved proposals dealt with the architectural design of the facility and called for eliminating skylights in three buildings at a savings of about $18,700.

- Another approved proposal called for increasing the maneuvering area at a loading dock. This proposal resulted in increasing costs by about $7,000, but it enhanced the usability and overall quality of the facility.

Overall, the value engineering study for the maintenance facility resulted in 26 approved proposals with corresponding savings totaling about $674,000.

Rejected Proposals

Our review showed that installation personnel sometimes rejected value engineering proposals because they didn't believe the change was beneficial or necessary. To illustrate, here are some of the rejected proposals from one study done on the design for a deployment warehouse at Fort Benning.

- One proposal, estimated to save $50,783, called for using heavy duty asphalt paving, instead of concrete, for a hardstand (except in the loading dock area).

- Another proposal, with a potential savings of $10,333, recommended using direct burial wood poles for site lighting.

- A third rejected proposal, estimated to save $52,374, called for deleting the curb and gutter around all paved areas. The proposal noted that drainage to the center of the parking lot allowed for elimination of curbs without affecting drainage.

In all, the installation participants at the presentation meeting rejected nine proposals, with estimated savings of about $215,800. District personnel weren't able to explain why installation representatives rejected these proposals. However, by rejecting what may have been valid proposals, installations were losing opportunities to get a quality facility at lower costs.

We aren't providing any suggested corrective actions in this report concerning the rejection of proposals because the district isn't in a position to direct acceptance. We will continue to look at this issue to see if problems are systemic. If so, we will address this issue in our summary audit report.

Approved Proposals Not in Final Design

Our review also showed that some potential savings didn't accrue to the government because approved proposals didn't get incorporated into the final design.

For example, the district performed a value engineering study in December 19XX on the design of an enlisted barracks facility for Fort Gordon, Georgia. Before the September 19XX contract award, we assisted the value engineering officer in validating that the final design included the approved value engineering proposals. That effort showed that 3 of the 12 approved proposals from the study didn't get incorporated into the final bid documents.

- One approved proposal, estimated to save about $9,700, called for redesigning the walkway lighting between the barracks complex and the soldiers' community building.

- A second approved proposal recommended reducing the width and number of sidewalks at an estimated savings of about $18,215.

- The third approved proposal, estimated to save about $18,160, was to use a hydroseeding process for grass in place of sprigging about 4.5 acres of grass as stated in the concept design. However, the final bid documents called for using sod for the 4.5 acres at an estimated cost of about $48,960. Apparently, the designers incorporated this change at the request of the installation.

Although the district had a process to review the final designs for projects, responsible district personnel couldn't explain why the above proposals weren't included in the final design.

During FYs XX and XX, the Savannah District implemented 29 value engineering studies, each averaging about $33,280 in costs. Given the investment, it is critical that management have controls sufficient to:

- Make certain that in-house designers or architect-engineer firms doing the design incorporate all approved proposals into the final design.

- Document the reasons why the designers elected not to include approved proposals into the final design.

Value Engineering Change Proposals

The district processed 11 value engineering change proposals during FY XX and 15 proposals during FY XX. Contractors submitted 25 change proposals relating to Military Construction, Army contracts. The remaining change proposal related to a civil works project.

Value engineering officers should report costs and savings for contractor-generated change proposals when the district finalizes the associated contract modification. The district reported savings of about $35,000 for FY XX and about $32,000 for FY 95 for implemented change proposals.

The district timely reviewed, evaluated, and approved value engineering change proposals, requiring only an average of 13 days for the process--well within the Corps of Engineers' goal of 45 days.

The district also used the appropriate incentive clause relating to value engineering change proposals in its military and civil works construction contracts. Additionally, the district promoted contractor participation in the program by:

- Sending a letter to each construction contractor after contract award stressing the importance of the value engineering incentive

clause.

- Furnishing the contractors a copy of the Corps of Engineers' pamphlet on its value engineering program. The pamphlet explained the benefits of value engineering for both the contractor and the government.

SUGGESTED ACTION

For the Commander,
Savannah Engineer District

B-1 Include a check during the final design review to make sure the design incorporates the approved value engineering proposals or document why the final design didn't include approved proposals.

ANNEXES

AUDIT SCOPE AND METHODOLOGY

We performed the audit:

- From August to October 19XX.
- According to generally accepted government auditing standards. We included the tests of management controls that we considered necessary under the circumstances.
- At Savannah Engineer District and the U.S. Army Corps of Engineers' Office of Value Engineering Studies.

The audit covered transactions representing operations current at the time of the audit.

To do the audit, we:

- Reviewed Office of Management and Budget and Corps of Engineers guidance pertaining to value engineering.

- Interviewed program managers and project engineers and reviewed documents at the district to identify potential workload subject to value engineering.

- Discussed with the value engineering officer the methods the district used to select projects for review.

- Obtained and reviewed documents to find out how the district budgeted for study costs and monitored architect-engineer contractor performance while performing value engineering studies.

- Tracked approved proposals for selected projects to final specifications and drawing to validate implementation of approved proposals.

ANNEX B

AUDIT TEAM

Operations Center

Xxxxxxxx A. Xxxxxxx
Xxxxxxx Xxxxxxxxxx

Xxxxxxxxx Administrative Workcenter

Xxxxx M. Xxxxx

Xxxx D. Xxxxx

Xxxxxxxxxxx Field Office

Xxxxxx R. Dxxxxn
Xxxxx E. Gxxxxxxxxx
Xxxxxx E. Lxxxxxxx

APPENDIX T

SPECIAL REPORT

USAAAR 36-53

U.S. Army Audit Agency

Performance Measures for Information Systems Security

We developed this consulting report at the request of the Director of Information Systems for Command, Control, Communications and Computers. Therefore, we will coordinate our response to requests for copies of this report with that office.

15 August 19XX
Consulting Report: AA XX-XXX

USAAAR 36-53

DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
Office of the Deputy Auditor General
Financial Audits
3101 Park Center Drive
Alexandria, VA 22302-1596

15 August 19XX

Director
Information Systems for Command, Control,
Communications and Computers

This is the report documenting the results of the 22-24 April 19XX strategic planning and 9-11 June 19XX performance measure workshops that we jointly facilitated with the Defense Information Systems Agency's Operational Process Improvement Office. This report documents the results of the two workshops and the process used to develop Armywide performance measures for assessing the effectiveness of information systems security throughout the Army.

I appreciate the courtesies, cooperation, and assistance your staff extended to us during the facilitation effort.

FOR THE DEPUTY AUDITOR GENERAL:

NAME
Program Director
Performance Measures,
Budget and Costing

For more information about this effort, please call the Performance, Measures, Budget and Costing Audits Division at (703) 681-XXXX.

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INTRODUCTION

PURPOSE

The warfighter relies heavily on secured networked information systems both on and off the battlefield. Army leadership has recognized the importance that an auditable and measurable Information Systems Security Program has in protecting and securing the warfighter's information and information-based systems. During the audit of the Army's Information Systems Security Program--Audit Report: AA XX-XXX, dated 30 June 19XX--we determined that core processes DA and Army installations used to manage and implement the Army's Information Systems Security Program required reengineering. The audit recommended, in part, revision to the practices and procedures for assessing the protection and security of the Army's network of sustaining base systems. It also recommended developing performance measures and a formal reporting process to routinely assess whether the Army's investment in information systems security provides desired security outcomes.

The Director of Information Systems for Command, Control, Communications and Computers requested our assistance in facilitating the development of performance measures for information systems security--the most critical component of Command and Control Protect. This report documents the results of the the process used to develop installation-level performance measures for assessing the effectiveness of information systems security throughout the Army.

RESULTS IN BRIEF

Representatives of the Command and Control Protect Triad approved seven performance measures on 18 June 19XX:

1. Percentage of available time that required intrusion protection, detection, and monitoring devices are operational.

2. Availability Ratio (Actual System Online Time divided by Total Required Online Time).

3. Percentage of users having user profiles established.

4. Percentage of the Command Operating Budget allocated to Information Assurance.

5. Percentage of allocated dollars obligated on Information Assurance.

6. Percentage of system administrators and network security managers that have received, and have successfully completed, formal system administrator training.

7. Are major commands and/or installations compliant with National Security Telecommunications Information Systems Security Document 600 and Army Regulation 380-53?

The seven performance measures will be incorporated into the Installation Status Report and will be used to hold commanders accountable for making sure their Information Systems Security Programs are achieving desired security outcomes. In addition, the Director of Information Systems for Command, Control, Communications and Computers needs to make sure that the performance measures:

Link back to an auditable framework of core information systems security processes.

- Tie back to and complement implementing policies, practices, and procedures.

The measures should be routinely reviewed, assessed, and adjusted to make sure established security goals are attained.

RESPONSIBILITIES AND PENDING ACTIONS

On 1 January 19XX, proponency for information systems security policy formulation was transferred from the Deputy Chief of Staff for Intelligence to the Director of Information Systems for Command, Control, Communications and Computers. As a result, the Director assumed responsibility for:

- Establishing and issuing Army information systems security policy and standards.
- Establishing and maintaining standardized evaluation and test methodologies, certification procedures, and security requirements.

Providing guidance and performing specific actions concerning the information systems security portion of the Army Command and Control Protect Program.

- Assessing the effectiveness of new information systems security concepts in achieving established goals and objectives.

Also, on 19 June 19XX, the Secretary of the Army and the Chief of Staff, Army signed a joint policy memorandum that designates Directors of Information Management as the single managers responsible for integrating information systems security into day-to-day operations at Army posts, camps, and stations. The policy memorandum is at Annex A.

Together these actions directly impact the organization and structure of the Army's Information Systems Security Program at DA, major commands, and installations. To ensure that all aspects of information systems security are adequately considered, a complete evaluation of the

information systems security structure and process at major commands and installations is essential. A task force is under development to assist in making this transition. Performance measures for information systems security should provide a mechanism to help evaluate the structure and allocation of resources throughout the Army, identify trends, and identify the best information systems security structure and processes for protecting and securing the warfighter's information and information-based systems.

PERFORMANCE MEASURES AND RECENTLY ENACTED LAWS

Performance measures are designed to measure progress toward achieving a program's vision and goals. They are directly linked to the program's overall mission. Performance measures should provide a link to service-based costing initiatives.

Congress enacted several laws that require Federal agencies to establish new and more businesslike frameworks for management and accountability. Recent laws enacted by Congress include the:

- Information Technology Management Reform Act of 1996.
- Government Performance and Results Act of 1993.
- Chief Financial Officers Act of 1990.

The acts, taken in total, require Federal agencies to generate information for identifying how to improve government performance and reduce costs. Agencies are to consult with stakeholders to clearly define missions, establish long-term strategic and annual goals, and measure performance against established goals.

PROCESS USED TO DEVELOP PERFORMANCE MEASURES

We partnered with the Defense Information Systems Agency's Operational Process Improvement Office to facilitate the Automated Information Systems Security Strategic Planning Workshop on 22-24 April 19XX, and the Automated Information Systems Security Performance Measure Development Workshop on 9-11 June 19XX.

The purpose of the 22-24 April 19XX workshop was to develop a vision, strategic goals, and objectives for the automated portion of the Army's Information Systems Security Program. The purpose of the 9-11 June 19XX workshop was to develop performance measures for information systems security. The goals and objectives developed during the April 19XX workshop served as a basis to develop performance measures for information systems security. Participants of the 22-24 April 19XX and the 9-11 June 19XX workshops are listed at Annex B.

Performance Measurement Model

Performance measures for information systems security were developed to provide a basis for routinely assessing whether the Army's investment in information systems security provides desired security outcomes. They were designed to provide a feedback mechanism for pinpointing program weaknesses and holding commanders accountable for maintaining secured installation information infrastructures. Figure 1 illustrates the performance measurement model used to develop performance measures for information systems security and the four components of the performance measurement cycle.

PERFORMANCE MEASUREMENT MODEL

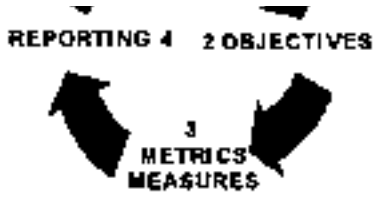

FIGURE 1. COMPONENTS

OF THE PERFORMANCE MEASUREMENT CYCLE

The process used to develop performance measures for information systems security included:

- Defining the boundary and establishing the scope of what aspects of Command and Control Protect to measure.

- Developing a Command and Control Protect vision statement and goals for information systems security.

- Formulating objectives to achieve the goals established for information systems security.

- Developing performance measures to measure the effectiveness of information systems security throughout the Army.

- Establishing a reporting system to collect performance measurement data.

Workshop Boundaries

Boundaries for the workshops were:

- Limited to the Information Systems Security Component of Command and Control Protect.

- Focused on network security/information systems security at Army installations

Figure 2 illustrates the scope and focus established for the two workshops.

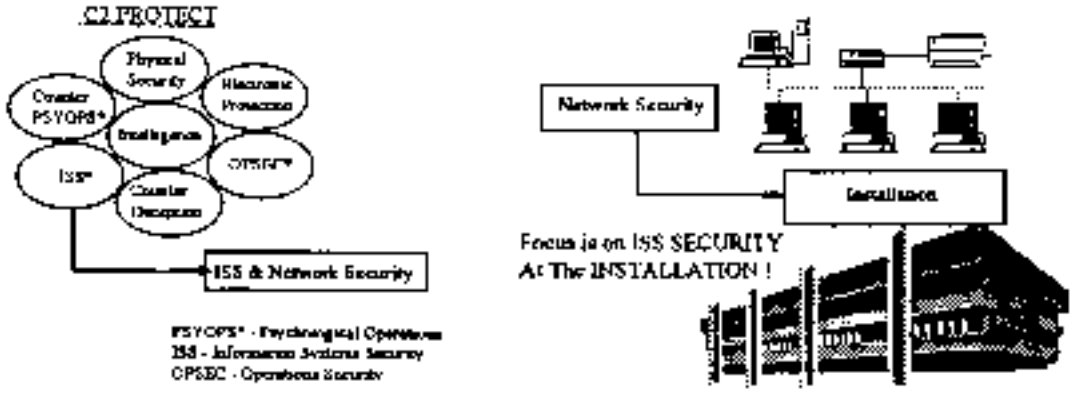

FIGURE 2. Focus and scope of the two workshops.

Representatives from the Command and Control Protect Division within the Office of the Director of Information Systems for Command, Control, Communications and Computers established an overall Command and Control Protect Mission Statement. Figure 3 contains the statement.

C2 PROTECT MISSION

To support a trained and ready Warfighter through secure and ready operations that leverage technology and integrate information and information based systems into all phases of military operations and in all deployed environments.

FIGURE 3 Command and Control Protect Mission Statement.

The mission statement served as a basis for developing a vision statement, goals, objectives, and performance measures for information systems security.

Vision Statement

The vision statement for information systems security is at Annex C. It supports the Army's overall Command and Control Protect Mission Statement. The vision covers the five-year period 1997-2002. A five-year period was selected to provide a long-term perspective for today's information systems security mission recognizing that the information technology environment is changing rapidly.

Management Functions and Goals

Annex D contains the goals for information systems security. Outcome-related goals were developed for the following seven major functions that comprise managing and implementing the Army's Information Systems Security Program:

- Management responsibilities.
- Enforcement.
- Training.
- Resources.
- Technology.
- Configuration management.
- Policies and procedures.

Annex E contains objectives that describe what actions are needed to achieve each outcome-related information systems security goal. Short-term, mid-term, and long-term objectives were established for each goal.

Performance Measures

Annex F contains performance measures for measuring whether the Army's Information Systems Security Program achieves desired security outcomes. Over 30 performance measures were initially developed for information systems security during the 9-11 June 19XX workshop. Representatives from the Command and Control Protect Triad consolidated the 30 performance measures into 7 performance measures. The measures are linked to the vision and goals established for information systems security.

Collection and Reporting System

The Office of the Assistant Chief of Staff for Installation Management is developing Part III of the Installation Status Report as part of the Army's effort to implement the Government Performance and Results Act of 1993. It provides a link between performance measures and service-based costing initiatives.

Information technology is one of the nine major service activities included in Part III of the Installation Status Report. The four functions and six service-based costing services--one of which includes information systems security--are shown below:

Information Technology Major Service Activities

FOUR FUNCTION AREAS			
Communication Systems and System Support	Visual Information Systems	Document Management	Information Technology Management and Planning
SIX SERVICE-BASED COSTING SERVICES			
Communication Systems and System Support	Visual Information Systems	Document Management	Information Systems Security
			Automation
			Information Technology Planning

Eight attributes (performance measure areas) were established for information systems security. The eight attributes complement the vision and goals established for information systems security and include:

- Signal Security.
- Communications Security.
- C2 Protect Tools.
- Resources (Personnel and Funding).
- Electronic Security.

- C2 Protect Training.

- NTISSD 600.

  Customer Support (Help Desk).

The seven performance measures developed during this effort were incorporated into the eight information systems security attribute categories. They will be used with other metrics to obtain a composite rating for measuring whether installation commanders are achieving desired outcomes established for the Army's Information Systems Security Program.

Also, a beta test of Part III of the Installation Status Report is scheduled for fourth quarter FY XX. Tentative beta test sites include:

- Fort Bragg.

- Fort Campbell.

- Fort Knox.

- Fort Myer or Fort Meade.

  Fort McCoy.

- Redstone Arsenal.

- Fort Sam Houston.

- National Guard Bureau (State to be determined).

- Outside CONUS Sites (To be determined).

The first iteration of Part III of the Installation Status Report is scheduled for FY XX.

Annex G contains the information systems security attributes, metrics, units of measure, and definitions that will be reported in Part III of the Installation Status Report.

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ANNEXES

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ANNEX A

SECRETARY OF THE ARMY AND CHIEF OF STAFF, ARMY POLICY MEMORANDUM ON INFORMATION SYSTEMS SECURITY

DEPARTMENT OF THE ARMY
WASHINGTON, D.C. 20310

June 19, 19XX

MEMORANDUM FOR DEPARTMENT DIRECTORS AND COMMANDERS

SUBJECT: Information Systems Security

In a recent joint venture with the C2 Protect Triad, the Army Audit Agency was asked to evaluate the security of sensitive but unclassified sustaining base networked information systems. The audit validated that these systems are highly vulnerable to intrusion and manipulation by unauthorized individuals and that the Army has significant shortcomings in this area.

The security of sensitive but unclassified sustaining base and tactical networked information systems is critical to the decisiveness and safety of the warfighter. We must have secure networks to effectively integrate Information Operations Doctrine into day to day operations. As we integrate Information Operations Doctrine into all aspects of Army XXI, we must institutionalize Force Protection with Information Operations Doctrine as well as incorporate Information Systems Security into our institutional training base.

America's Army relies on information and information-based systems. Hostile information warfare activities targeted against us could pose a real threat to our warfighters and our national security. Information Systems Security is a key component to effective command and control. Directors of Information

Management, as the single managers for Information Systems Security, must integrate security and reliability into daily information operations to minimize this national risk. The Army's Chief Information Officer has designated a support team, consisting of the C2 Protect Triad, U.S. Army Audit Agency, and the Land Information Warfare Activity's Computer Emergency Response Team, to assist in accomplishing this important mission.

General, United States Army
Chief of Staff

Secretary of the Army

Annex on Recycled Paper

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ANNEX B

WORKSHOP PARTICIPANTS

Automated Information Systems Security Strategic Planning Workshop

22-24 April 19XX

Director of Information Systems for Command, Control, Communications and Computers - Command and Control Protect Division

MAJ Xxxx X. Xxxxxxx

Deputy Chief of Staff for Intelligence

Xxx Xxxxxxx
Xxxxx Xxxx

U.S. Army Communications-Electronics Command

Land Information Warfare Activity

Xxxxxx Xxxxxxxxxx
Xxxx Xxxx

U.S. Army Signal Command

Xxxxx Xxxxxxxx

U.S. Army Training and Doctrine Command

Xxx Xxxxx
CPT Xxx Xxxx

Xxxxxx Xxxxxx
Xxxxx Xxx
Xxxxx Xxxxx

U.S. Army Forces Command

Xxxx Xxxx
Xxxxx X. Xxxxxx

U.S. Army Intelligence and Security Command

Xxxxxxx X. Xxxxxx

U.S. Army Special Operations Command

Xxxxxx X. Xxxxxx

U.S. Army Space and Strategic Defense Command

Xxxxxxx Xxxxl

ANNEX B

Automated Information Systems Security Performance Measure Development Workshop

10-11 June 19XX

Director of Information Systems for Command, Control, Communications and Computers - Command and Control Protect Division

MAJ Xxxx X. Xxxxxxx

Deputy Chief of Staff for Intelligence

Xxx Xxxxxxx
Xxxxx Xxxxxx

U.S. Army Communications-Electronics

Fort Leonard Wood

MAJ Xxxx Xxxxxxxxx

U.S. Army Space and Strategic Defense Command

Xxxxxxx Xxxx

U.S. Army Training and Doctrine Command

CPT Xxxx Xxxxx

Command

Xxxxx Xxx
Xxxxxxx Xxxxxx

U.S. Army Forces Command

Xxxxx X. Xxxxxxx

Carlisle Barracks

Xxxxx Xxxxx
MAJ Xxxxx Xxxxxx

U.S. Army Intelligence and Security Command

Xxxxxxx X. Xxxxxx

ANNEX C

VISION STATEMENT FOR INFORMATION SYSTEMS SECURITY

The Army installations will achieve an information systems security posture that ensures:

- Availability
- Integrity
- Confidentiality

of information required to perform the installation's mission.

- **Availability**

Timely, reliable access to data and information services for authorized users through the development of seamless hardware and software tools/devices that will manage network and system assets. The overall military strategy will include the necessary tactics, technique, and procedural components to ensure a measured level of information assurance. This should ensure functioning after disruption by natural disaster, war, or civil unrest. The tools will be predictive in nature allowing system administration interjection before service denial to fix identified problems. Examples include:

- Redundant links/power systems/power supplies.
- Hot standby devices/components.

- **Integrity**

Protection against unauthorized modification or destruction of information, through adaptation of software encryption technologies, ensure and maintain the integrity of databases and data transmission. This requirement is essential even after an occurrence such as an intrusion or a case of espionage. The technologies implemented should focus on networks, systems, and data and should be readily adaptable/ manageable for all entities with a need for access and a need to know.

- **Confidentiality**

Assurance that information isn't disclosed to unauthorized entities or processes through point-to-point, direct connectivity. The need to ensure privacy/confidentiality of information is a critical part of information systems security. This requirement is essential even after an occurrence such as an intrusion or case of espionage.

ANNEX D

GOALS FOR INFORMATION SYSTEMS SECURITY

- **Management Responsibility**

GOAL: A well-managed program in support of the information systems

security vision.

- **Enforcement**

GOAL: Compliance with established information systems security policy.

- **Training**

GOAL: Personnel trained and aware of information systems security policy, procedures, and tools.

- **Resources**

GOAL: Sufficient resources are in place to support the installation information systems security function. Resources include dollars, skilled professionals, and management support.

- **Technology**

GOAL: State-of-the-art automation/security technology is in place to optimize intrusion detection, network monitoring, and protection capabilities for installation information systems and communications networks.

- **Configuration Management**

GOAL: Configuration management program that addresses information systems security issues and concerns.

- **Policies and Procedures**

GOAL: Information systems security plans and procedures that meet policy guidelines.

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ANNEX E

OBJECTIVES FOR INFORMATION SYSTEMS SECURITY

- **Management Responsibility**

GOAL: A well-managed Information Systems Security Program in support of the information systems security vision.

OBJECTIVE: Emphasize importance of the information systems security program. (Short-term, ongoing)

OBJECTIVE: Evaluate current information systems security posture and resource as required. (Short-term, ongoing)

- **Enforcement**

GOAL: Compliance with established information systems security policy.

OBJECTIVE: Establish a mechanism to measure and enforce information systems security. (Short-term)

OBJECTIVE: Provide for personal accountability in support of the Information Systems Security Program. (Short-term)

OBJECTIVE: Provide for personal responsibility in responding to known/perceived insecurities. (Short-term)

OBJECTIVE: Periodically conduct oversight/compliance inspections. (Short-term)

OBJECTIVE: Identify information systems security personnel with authority to respond to issues of noncompliance. (Short-term)

- **Training**

GOAL: Personnel trained and aware of information systems security policy, procedures, and tools.

OBJECTIVE: Provide periodic information systems security training and awareness presentations to include, computer-aided, self-paced, or classroom instruction that is documented to all personnel. (Mid-term)

OBJECTIVE: Develop and or utilize existing information systems security awareness bulletins, posters, newsletters, et cetera. (Short-term)

ANNEX E

OBJECTIVE: Conformity of training programs with training standards contained in National Training Standards. (Mid-term)

OBJECTIVE: Key information systems security personnel trained in technologies specific to their site; for example, communication protocols, network topologies, routers, firewalls, hubs and switches. (Long-term)

- **Resources**

GOAL: Sufficient resources are in place to support the installation information systems security function. Resources include dollars, skilled professionals, and management support.

OBJECTIVE: Management commits resources to the Information Systems Security Program. (Short-term)

OBJECTIVE: Management supports the Information Systems Security Program Manager in the implementation of information systems security. (Short-term)

OBJECTIVE: Management provides and supports increased technical expertise to the Information Systems Security Program. (Short-term)

- **Technology**

GOAL: State-of-the-art automation/security technology is in place to optimize intrusion detection, network monitoring, and protection capabilities for installation information systems and communications networks.

OBJECTIVE: Acquire and implement intrusion detection technology. (Short-term)

OBJECTIVE: Acquire and implement protection technologies. (Short-term)

OBJECTIVE: Improve World Wide Web Security. (Short-term)

- **Configuration Management**

GOAL: Configuration management program that addresses information systems security issues and concerns.

OBJECTIVE: Establish a baseline of current system configuration and evaluate future planning requirements from an information systems security perspective. (Short-term, mid-term)

OBJECTIVE: Manage access into the installation information infrastructure. (Short-term)

OBJECTIVE: Establish information systems security participation on Configuration Control Board. (Short-term)

- **Policies and Procedures**

GOAL: Information systems security plans and procedures that meet policy guidelines.

OBJECTIVE: Develop measures of effectiveness to assess/determine compliance with information systems security policy. (Mid-term, long-term)

OBJECTIVE: Conduct periodic review of plans, requirements, and procedures to identify shortfalls in achieving information systems security. (Short-term)

OBJECTIVE: Develop a policy to implement an intrusion detection monitoring system to support requirements of the Information Systems Security Program. (Short-term, mid-term)

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ANNEX F

PERFORMANCE MEASURES FOR INFORMATION SYSTEMS SECURITY

Vision: Army installations will achieve an information systems security posture that ensures:

- Availability
- Integrity
- Confidentiality

of information required to perform the installation's mission.

- **Availability**

1. Availability ratio.
2. Customer satisfaction survey.

- **Integrity**

1. Number of detected/reported intrusions.
2. Number of viruses reported by type.
3. Number of unauthorized connections from the installation.
4. Number of unauthorized changes detected within a system.

- **Confidentiality**

1. Percentage of users having user profile set.
2. Number of incident reports that can be attributed to a breach in confidentiality.

Goal: A well-managed program in support of the information systems security vision.

1. Percentage of objectives completed within the installation Information Systems Security Program Plan.

2. Percent of installations with an Information Systems Security Program Plan.

Goal: Personnel trained and aware of information systems security policy, procedures, and tools.

1. Percent of managers and supervisors trained.

2. Percent of users who have received information systems security awareness training.

3. Percent of system administrators, information systems security managers, information systems security officers, programmers, engineers, analysts, and others certified.

Goal: Sufficient resources are in place to support the installation information systems security function. Resources include dollars, skilled professionals, and management support.

1. Dollars spent for information systems security.

2. Dollars allocated for Information Systems Security Program.

3. Dollars requested for Information Systems Security Program.

4. Number of information systems security personnel authorized.

5. Number of information systems security personnel on hand.

6. Percent of required intrusion detection devices on hand.

7. Percent of required protection devices on hand.

8. Percent of required monitoring devices on hand.

3. Percent of required monitoring devices on hand.

Goal: State-of-the-art automation/security technology is in place to optimize intrusion detection, network monitoring, and protection capabilities for installation information systems and communications networks.

ANNEX F

1. Percent of approved intrusion detection devices in place.
2. Percent of approved protection devices in place.
3. Percent of approved monitoring devices in place.
4. Percent of approved tools used to evaluate information systems security.

Goal: Compliance with established information systems security policy.

1. Percent of systems accredited.
2. Percent of activities in compliance with installation information systems security policy.

Goal: Configuration management process that addresses information systems security issues and requirements.

1. Number of system changes approved by configuration management board.
2. Percent of approved system changes made.
3. Percent of "known doors" protected.

Final Performance Measures Selected for Information Systems Security

1. Percentage of available time that required intrusion protection, detection, and monitoring devices are operational.

2. Availability Ratio (Actual System Online Time/Total Required Online Time).

3. Percentage of users having user profiles established.

4. Percentage of the Command Operating Budget allocated to Information Assurance.

5. Percentage of allocated dollars obligated on Information Assurance.

6. Percentage of system administrators and network security managers that have received, and successfully completed, formal system administrator training.

7. Are major commands and/or installations compliant with National Security Telecommunications Information Systems Security Document 600 and Army Regulation 380-53?

USAAAR 36-53

ANNEX G

INSTALLATION STATUS REPORT

FULL MISSION CAPABILITY

"How much" of a given metric is required to make you 100% capable of

accomplishing your assigned force deployment / sustainment / training mission?

CAPABILITY #10: C2 Protect (Information Systems Security)

ATTRIBUTE	METRIC	[illegible]	[illegible]	[illegible]
1 Signal Security		[illegible]	[illegible]	[illegible]
	1 Availability Ratio	.999 (99.9%)	Minimum standard established by HQDA	Measure of the transport and availability of primary systems at an installation.
	2 Proxy requirements		Number required to protect critical sensitivity (CS) level 2 or higher systems.	A special server that typically runs on a firewall machine. It waits for a request from inside the firewall, forwards the request to the remote server outside the firewall, reads the response and then sends it back to the client.
	3 Security		Total staff hours per week	A set of functions that ensure the confidentiality

	3 Security management		Total man hours per week required.	A set of controls that ensure the ongoing protection of the network and its components in all aspects of security such as entering the network, accessing an application, transferring information in the network, protecting network-management tools by analyzing risk, minimizing risks, implementing a network security plan, and by monitoring success of the strategy. Special functions include the surveillance of security indicators, partitioning, password administration, and generating warning or alarm messages on violations.
	4 Security assessment/ accreditation		Total number of assessments and/or accreditation inspections required quarterly.	This is a continuous function with frequent updates. The objective is to keep ahead of hackers and security violators. These activities have to include all relevant parts of a communication network. The major parts are: • End-user • End-user workstation • Local area networks and Wide Area Networks • Processing components, including operating systems, data bases, files, and applications Reporting calendar quarters will run Jan-Mar, Apr-Jun, Jul-Sep, Oct-Dec.

ANNEX H

OTHERS RECEIVING COPIES OF THIS REPORT

Under Secretary of the Army
Vice Chief of Staff
Assistant Secretary of the Army (Civil Works)
Assistant Secretary of the Army (Financial Management and Comptroller)
Assistant Secretary of the Army (Installations, Logistics and Environment)
Assistant Secretary of the Army (Manpower and Reserve Affairs)
Assistant Secretary of the Army (Research, Development and Acquisition)
Director of the Army Staff
Administrative Assistant
The Inspector General
Deputy Under Secretary of the Army (Operations Research)

Chief of Public Affairs
Deputy Chief of Staff for Intelligence
Deputy Chief of Staff for Logistics
Deputy Chief of Staff for Operations and Plans
Deputy Chief of Staff for Personnel
Assistant Chief of Staff for Installation Management
Chief, National Guard Bureau
Chief, Army Reserve
Deputy Assistant Secretary of the Army for Budget
Director, Program Analysis and Evaluation
Commander in Chief, U.S. Army, Europe and Seventh Army
Commanders
U.S. Army Forces Command
U.S. Army Training and Doctrine Command
U.S. Army Materiel Command
U.S. Army Medical Command
U.S. Army, Pacific
U.S. Army Special Operations Command
U.S. Army Military District of Washington
U.S. Army Criminal Investigation Command
U.S. Army Intelligence and Security Command
U.S. Army South
Eighth U.S. Army
U.S. Army Signal Command
U.S. Army Communications-Electronics Command
Military Traffic Management Command
III Corps and Fort Hood

ANNEX H

U.S. Army Garrison, Fort Detrick
U.S. Army Intelligence Center and Fort Huachuca
4th Infantry Division
3d Military Police Group, U.S. Army Criminal Investigation Command
6th Military Police Group, U.S. Army Criminal Investigation Command
Commandant, U.S. Army Logistics Management College
Directors
Center for Army Lessons Learned
Land Information Warfare Activity

Under Secretary of Defense

Inspector General, Department of Defense
Directors
  Defense Information Systems Agency
  Defense Intelligence Agency
  Defense Logistics Studies Information Exchange
Auditors General
  Air Force Audit Agency
  Naval Audit Service

USAAAR 36-53

ANNEX I

AUDIT TEAM

Operations Center	Defense Information Systems Agency Operational Process Improvement Office
Xxxxx Xxxxxxxxx	
Xxxxxx Xxxxxx	

Xxxxx Exxxxx
Xxxxx Mxxxxx

Xxxxx Mxxxxxxxxx
Xxxxxxx Lxxxx
Xx Hxxxxxxx

Fort Belvoir Field Office

Xxxxxxxx Cxxxxxxxxx
Xxxxx Kxxxxxx
Xxxxxxx Lxxxxxxx

Hanover Administrative Workcenter

Xxxxxx Hxxxxxx
Xxxxxxx Pxxxxxxx
Xxxx Wxxxxxxx

Hanover Field Office

Xxxxxxx Exxxxx
Xxxx Sxxx

DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION NO 36-54 **12 OCTOBER 1995**

Audit

Procedures for Processing, Distributing, and Finalizing Audit Reports

Purpose

Applicability

References

Types of Reports

Background

Policy

Responsibilities

TimeSensitive Reports

Appendix A-References

Appendix B-Agency Established Time Standards

Appendix C-Transmittal and Receipt of Reports

Appendix D-Reproduction and Distribution

Appendix E-Processing Official Command Replies

Appendix F-Standard Distribution of Audit Reports

Appendix G-Customer Satisfaction Questionnaires

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1. PURPOSE. This regulation establishes policies and procedures and defines responsibilities for transmitting, reviewing, processing, reproducing, and distributing U.S. Army Audit Agency audit, advisory trend and consulting reports. Also prescribed are the procedures to be followed in resolving disagreements with Agency audit reports and for closing out the command-reply process. And procedures for processing customer satisfaction questionnaires.

2. APPLICABILITY. The provisions of this regulation apply to all Agency standard, special, advisory, trend and consulting reports distributed to Army managers. Specific provisions for memorandum reports are in appropriate paragraphs.

3. REFERENCES: Appendix A contains applicable references.

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4. TYPES OF REPORTS

a. Standard Reports. Standard reports fully meet government auditing standards, contain the auditors' conclusions on the audit objectives, normally contain findings and recommendations and are therefore subject to the official command-reply provisions of AR 36-2 and AR 36-5, and normally receive wide distribution.

b. Memorandums and Information Memorandum Reports. Memorandum reports are usually used for reporting the result of limited audit effort in which the auditing standards may or may not have been followed. The reports may or may not have

suggested actions, and have limited distribution. These reports discuss:

1. Audits curtailed for lack of significant adverse conditions.
2. Results of requested consulting engagements.
3. Results of commercial activities cost comparison reviews.
4. Evaluation of internal management process review check-lists.
5. Observations for management consideration.
6. Assist requests (external).

c. Special Reports. Special reports discuss the results of Agency work or services not reported in standard or memorandum reports or in advisory reports. Special reports are usually prepared in response to requests from senior Army management. They may discuss such services as evaluating systems under development, researching selected aspects of a given subject, or providing advice to investigative activities and others on special problems. However, the reports are usually based on the results of limited-scope, short-duration field work that does not fully meet generally accepted government auditing standards. Therefore, these reports usually contain suggested actions, have limited distribution, and are not subject to the official command-reply provisions of AR 36-2 and AR 36-5.

d. Advisory Reports. Advisory reports discuss repetitive problems of wide interest and are distributed Armywide. The problems are usually discussed in multilocation audit reports or a series of single-location audit reports. Therefore, the usual statement on auditing standards is not appropriate for advisory reports. The reports contain "suggested actions" for commanders throughout the Army. The reports are not subject to the official command reply provisions of AR 36-2 and AR 36-5.

e. Trend Reports. Trend reports discuss repetitive problems of wide interest which require corrective action at the Headquarters, DA level. The problems are usually discussed in multilocation audit reports or a series of single-location audit reports. Therefore, the normal statement on auditing standards is not appropriate. The reports contain recommendations for corrective action. They are subject to the official command-reply provisions of AR 36-2 and AR 36-5.

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5. BACKGROUND

a. Report Contents. To comply with the Government Auditing Standards, all audit reports are to present factual data accurately and fairly and include only information, findings, and conclusions that are adequately supported by sufficient evidence in the auditors' working papers. The Standards also prescribes much of the content and many of the items that audit reports must include in order for the reports to comply with the standards.

b. Management Responses. Policy and procedures for Army management responses to audit reports are in AR 36-2. The regulation prescribes the procedures to follow in preparing official command replies.

(1) In accordance with AR 36-5, the Agency normally includes a summary of the audited activity's tentative comments in the standard audit report. Command verbatim comments will be included as an annex to the report. Upon receipt of the issued audit report, each commander or agency head to whom a finding and recommendation is addressed is required to prepare an official command reply. The command-reply process enables audited activities to present their official positions on each finding and recommendation and on the reasonableness of the reported potential monetary benefits.

(2) In addition, the official command reply should indicate or confirm the corrective actions that the activity has taken or plans to take and provide or confirm the actual completion or target dates for those actions. Ideally, auditors should obtain the proposed actions and dates during the audit and include them in the audit report. These dates are required to monitor compliance and to plan followup actions.

c. Establishing the Army Position. The Policy, Followup and Training office will review the official command reply. The processing of command replies is contained in Appendix

(1) When the reply is responsive and indicates full agreement with the recommendations (or proposes alternate corrective actions that appear satisfactory), a copy will be forwarded to the cognizant Agency program director and appropriate DA Staff or Secretariat functional proponent. They have 30 calendar days to furnish additional comments if they object to the reply or have other concerns that should be considered before closing out the reply process.

(2) When the reply is nonresponsive or indicates disagreement with reported facts, conclusions, recommended corrective actions, or potential monetary benefits, the disagreement must, by statue, be resolved within 6 months of the date of the report. To resolve a disagreement, the Policy, Followup and Training office requests written comments from both the Agency program director and the DA Staff or Secretariat functional proponent. This office acts as the central clearing point for receiving and forwarding all correspondence pertaining to the disagreement, and holds mediation meetings between the parties to resolve the disagreement. If the disagreement cannot be resolved through mediation, the positions are submitted to the Vice Chief of Staff, or for Secretariat matters to the Under Secretary for adjudication. The adjudicator's decision is the official Army position.

d. Closeout. The staffing and resolution process has been established to evaluate the adequacy of actions taken or to be taken by the audited activity and to ascertain the Army's position on each recommendation. Once the Army's position has been established, the major command or DA Staff or Secretariat agency to whom the action copy of the report was addressed is advised of the final position of the Army and the adequacy of the command reply. A copy of the "Army Position Statement" is also provided to the Planning and Resource Management office. Agency policy is that an official Army position will not be "reopened" unless additional audit or followup work is done to revisit the issue(s).

e. Audit Followup. DOD Directive 7650.3 sets forth the details of the audit followup system-establishment of focal points, responsibilities, procedures, and reporting requirements. It also reiterates that audit organizations are to make selective onsite followup audits to ensure that deficiencies reported have been corrected and that maximum benefits have been achieved. AR 10-5 designates The Auditor General as the Army's audit followup official with responsibility for implementing a followup system and prescribing followup procedures.

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6. POLICY

a. Standards. Agency audit reports are to be processed in accordance with the Government Auditing Standards. In most cases, memorandum and special audit reports will not be in full compliance with these Standards.

b. Timeliness. Audit reports are to be processed in a timely manner in accordance with the standards shown in Appendix B.

c. Review. Agency program directors will review the draft standard, special, advisory, and trend reports. A review for legal sufficiency will be performed when so requested.

d. Security. Whenever it is believed that sensitive, classified, or operational security information is included in an audit report, all personnel involved in the preparation and review process will ensure that appropriate security measures are taken to safeguard not only the report, but also the word processing media used in preparing it. These measures are prescribed in AR 380-5, Department of the Army Information Security Program.

e. Signing of Reports. Final approval and signature block will be determined in accordance with the provisions of USAAA Regulation 1-1.

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f. Errors. Issued audit reports that have material errors are of concern to the Agency.

(1) Material errors are significant omissions and erroneous words or figures which could:

- Cause serious embarrassment to the Agency.
- Cast doubt on the Agency's or the auditors' professional status.
- Erroneously infer wrongdoing.
- Attribute the cause of a problem to the wrong individual or activity.
- Result in actions which are not in the best interests of the Army.

(2) Errors in report numbers, dates, and page and paragraph numbers also may be material because they are reference points. Errors that are not material are those that do not significantly affect the Agency's image or do not materially affect the results of the audit-such as a reference to a superseded regulation when the new regulation does not change the point discussed, or a minor typographical error when the correct version is

obvious.

(3) Therefore, whenever a material error is found in an issued report, a corrected page (or pages) will be prepared within 10 working days of discovery and distributed as soon as possible to addressees and recipients of the original report. Issued audit reports containing errors that are not material do not have to be corrected.

g. Disagreements. Disagreements with Agency audit reports by audited activities or higher levels of command should be resolved as quickly as possible since the command-reply process must be closed out within 6 months of the date of the final audit report. Every attempt should be made to resolve disagreements during the audit execution phase and at the lowest possible level of command. Normally, disagreements with tentative findings and recommendations can be resolved through discussions held during the staffing process. If not successful during the audit, attempts to resolve disagreements should continue throughout the report processing phases.

h. Higher Level Resolution. Matters requiring resolution at the major command or DA level should be identified as early in the audit as possible and brought to the attention of the appropriate level of Agency management. Few issues should remain unresolved by the time a final report is issued. However, the issuance of a final report will not be delayed unreasonably for the purpose of resolving disagreements.

i. Followup. During subsequent audits, auditors will evaluate the adequacy of corrective actions taken on previous audit recommendations. However, the significance or nature of certain findings and recommendations may dictate a need for special audit followup by the Agency. Situations or conditions such as the following could dictate the need for a followup audit:

(1) Actions taken by the audited activity, contrary to our recommendation(s) and before the issues could be resolved, has resulted in an adverse effect.

(2) Reports indicate that the audited activity has lost financial or accountable control.

(3) The audited activity has internal management control weaknesses that are conducive to significant potential abuse or illegal acts.

(4) The audited activity could achieve significant monetary benefits by implementing the audit recommendations. The "rule of thumb" to identify a particular finding would be one with more than $50,000 in benefits.

(5) Reports that pertain to control of sensitive items, or life-threatening issues-such as drugs, small arms, ammunition, or toxic wastes.

(6) There is DA or other high-level interest in such an audit, or the subject area has had extensive press coverage or public inquiry.

(7) Command nonconcurrence with a recommendation has been overruled by the DA Staff or Secretariat position, or there is a belief by the auditors that actions stated in the command reply may not have been taken.

j. Time-Sensitive Issues. Special attention should be given to time-sensitive recommendations (see paragraph 8). When major command or DA-level resolution is needed quickly (such as when command plans to take irreversible, adverse actions involving substantial funds), the auditors are to furnish the appropriate program director all pertinent information necessary to expedite the resolution process. The program director is to elevate the issues to the appropriate major command or DA Staff or Secretariat level as quickly as is necessary under the circumstances to get the disagreements resolved. A one-finding "final" report may need to be issued so the prescribed official command-reply, mediation, and adjudication processes can be started. And it may be prudent to recommend followup soon after the final report is issued to ensure that the activity will take appropriate action.

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7. RESPONSIBILITIES

a. Deputy Auditors General. The deputy auditors general, through their assigned program directors and within their areas of functional responsibility, will:

(1) Perform a comprehensive review of draft audit reports to include technical content, sufficient identification of underlying causes, consistency of recommendations within the report and with recommendations previously made, contain the appropriate security classifications and required protective markings, accuracy of the reported potential monetary benefits resulting from the audit, and compliance with the Agency's auditing and reporting policies and standards. The reviews will include:

- Adequacy of internal management controls.
- Need for advisory or expedited reporting.
- Use of new or innovative audit techniques.
- Legal and security requirements.

(2) Approve final audit reports for distribution to the appropriate commands and activities for action, and to others for information.

(3) Review official command replies to audit reports within their functional areas, making sure that the replies to reports are responsive to the recommendations.

(4) Work with the Policy, Followup and Training office and DA Staff or Secretariat functional proponent agencies to attempt to resolve disagreements. Attends mediation meetings on disagreements and signing memorandums of understanding resulting from the meetings.

(5) Sign all resolution and closeout correspondence concerning audit reports within their functional areas. Such correspondence normally consists of the Agency's responses to the official command replies (and any comments by the associated major command or DA Staff or Secretariat functional proponent) and the Agency's responses to close out the official command-reply process.

(6) Determine whether an error found in an issued report is material, and-if so-inform The Auditor General and making sure the necessary changes are processed.

(7) Maintain the Part III file of all correspondence pertaining to the resolution and closeout processes for their audit reports, and forwarding the file to the Planning and Resource Management office after the command reply process is completed.

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b. O**ffice of Deputy Auditor General, Policy and Operations Management**. The office of the deputy auditor general is responsible for:

(1) Receipt, administrative processing, reproduction of Agency reports, and maintenance of official file copies of audit reports.

(2) Maintaining-within the automated Audit Report Control Files-the status of all reports subject to the command reply process. For each audit report, the file will contain the following information: (i) report number, title and date; (ii) number of findings and recommendations and number of agreements and disagreements; (iii) date of closeout; (iv) date of receipt of the official Army Position Statement; and (v) the agreed-upon amounts of potential monetary benefits, when applicable.

(3) Preparing periodic reports on the status of open audit reports, including reports in adjudication.

(4) Editorial review of standard, special, advisory and trend reports as requested.

(5) Performing selective post-reviews of issued report to ensure compliance with Agency and Army auditing and reporting standards and policies.

c. Counsel. When requested, the counsel will review reports for legal sufficiency, and for providing technical assistance to the audit staff during report preparation. The counsel also:

(1) Participates in negotiations on disagreements about alleged violations reportable under the provisions of AR 37-1.

(2) Provides recommendations concerning the need or propriety of protective markings.

(3) Is responsible for releasing copies of audit reports requested under Freedom of Information Act procedures in accordance with Army regulations.

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8. TIME-SENSITIVE REPORTS

a. Definition. Time-sensitive reports address potentially adverse significant or sensitive situations that can be stopped or alleviated by taking specific action either immediately or by a specified imminent date before the normal reporting and resolution processes can be completed. Significant or sensitive situations include:

(1) Unnecessary or wasteful expenditures of more than $1 million.

(2) Determinations that combat readiness or program or mission accomplishment is or may be seriously impaired.

(3) Serious incidents, as defined by AR 190-40, involving abuse, illegal activity or statutory violations.

(4) Issues having political, public affairs or media interest that could cause embarrassment to the Army.

(5) Situations having an adverse effect on safety or security.

b. Processing.: Time-sensitive reports are to be processed as follows:

(1) If the audited activity does not agree with the recommendations, or agrees but does not take corrective actions, the Agency is to evaluate the activity's position and, when appropriate, elevate any unresolved issues to the appropriate level of command, including the Army Staff or Secretariat level, for decision and action.

(2) If the disagreement cannot be resolved, the Agency is to expeditiously issue a final report and include the position provided by the Army Staff or Secretariat office. The Auditor General is to determine the format of the final report, which may be influenced by the time-sensitive factors.

(3) The report will be provided simultaneously to the action offices, the Army Staff or Secretariat offices having an interest in the unresolved issue, and to the Policy, Followup and Training office, allowing at least 30 days for resolution and adjudication. The transmittal memorandum to the Policy, Followup and Training office will indicate the time-sensitive nature of the report and request early resolution.

(4) If the time-sensitive situation requires adjudication in fewer than 30 days, The Auditor General may request resolution directly from the Under Secretary the Army or the Vice Chief of Staff, or may request that Policy, Followup and Training office expedite the mediation process so the issue can be adjudicated before the significant or sensitive situation occurs.

FOR THE DEPUTY AUDITOR GENERAL

LARRY R. SILER
Program Director
Planning and Resource Management

THE PROPONENT OF THIS REGULATION IS THE OFFICE OF THE DEPUTY AUDITOR GENERAL, POLICY AND OPERATIONS MANAGEMENT. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAGA-PMP-P.

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APPENDIX A

REFERENCES

AR 10-5, Organization and Functions, Headquarters, Department of the Army

AR 36-2, Audit Reports and Followup

AR 36-5, Auditing Service in the Department of the Army

AR 340-17, Release of Information and Records from Army Files

AR 380-5, Department of the Army Information Security Program

USAAA Regulation 1-1, Delegation of Signature Authority

USAAA Regulation 10-1, Organization and Functions, United States Army Audit Agency

USAAA Regulation 36-52, Reporting Potential Monetary Benefits Attributable to USAAA Audits

USAAA Regulation 36-53, Writing Audit Reports

USAAA Regulation 36-69, Establishing and Maintaining Headquarters Files on USAAA Audit Reports

DOD 7600.7-M, Internal Audit Manual

DOD Directive 7650.3, Followup on General Accounting Office, Internal Audit, and Internal Review Reports

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APPENDIX B

AGENCY ESTABLISHED TIME STANDARDS

Subject	*Reference*	*Time Standard*
Command replies to tentative findings and recommendations	AR 36-5	30 calendar days from issuance of tentative finding to receipt of reply
Draft report to command	DOD 7600.7-M	Within 60 calendar days after submission of last tentative finding
Holding exit conference	AR 36-5	Within 15* calendar days after submission of draft report
Submission of final report	Appendix C, para. 1	Report to be received within 25 calendar days after exit conference
Processing reports Printing: Standard reports FOUO reports Classified or contains photos/ foldouts Internal processing, mailing	Appendix C, para. 3	Calendar days 10 15 21 2**
Submission of official command replies	AR 36-2 AR 36-5	Within 60 calendar days from date of report
Resolution of disagreements in command reply process	AR 36-2	Within 180 calendar days from date of report

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APPENDIX C

TRANSMITTAL AND RECEIPT OF REPORTS

1. Field Reports. The administrative workcenters will forward audit, advisory, and trend reports finalized in the field within 25 calendar days following the exit conference (or work-stop date). The reports will be accompanied by a forwarding memorandum

addressed to the Program Director, Planning and Resource Management. (Forwarding memorandums are also required for memorandum reports.) As a minimum, the forwarding memorandum will contain:

- Justification for the delay if the report was not forwarded within 25 calendar day after the exit conference.
- Explanation for overruns in elapsed or auditor-days.
- A specific statement as to whether or not a special followup (or subsequent) audit should be performed. If an audit is recommended, include the rationale for recommending the followup audit and suggested timeframe.
- A statement that the independent report referencing was completed.
- A listing of Recommendations contained in the report, annotated as to whether "compliance" or "performance."

When applicable, the forwarding memorandum is also to:

- Comment on any unusual matters concerning the audit report- why special distribution was required or rationale for requesting The Auditor General's signature.
- Comment on protective markings, classification and operations security information.
- Explain the absence of an audit objective to evaluate implementation of the Army's Management Control process.
- Address the existence of repeat audit findings.

The supporting documents to be transmitted are:

- Audit report synopsis-except for consulting, special and memorandum reports. Guidance for preparing synopses and an example is at C-3 and C-4.
- Copy of the internal control evaluation worksheets.
- Report of Potential Monetary Benefits (USAAA Form 328) for reports with more than $50,000 of benefits in any of the findings (USAAA Regulation 36-52).

2, All Reports. Upon receipt of an audit report that requires printing, the audit report technician in the Planning and Resource Management office will establish a suspense date for issuing the report according to the following general guidelines:

	calendar days
Standard Reports	10
FOUO Reports	15
Classified or contains photos/foldout	21

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AUDIT, ADVISORY AND TREND REPORT SYNOPSES

1. Guidance. Audit report synopses should state the conclusions on each objective and include only enough information for readers to understand the audit results.

a. For regular reports, the synopses should also list all finding titles.

b. Advisory report synopses briefly discuss each of the common problems in the report.

c. Trend report synopses, like audit report synopses, will state the conclusions and list the finding titles.

d. Synopses for all reports should include the report title, number, DA Staff or Secretariat element, program director, and program director's telephone number. The synopses should be kept to one page, and in no instance exceed two pages. The synopsis will be dated the same date as the report. An example of a synopsis is on C-4.

2. Preparation and Distribution. Synopses are to be prepared and transmitted with the final report package. Dated copies are provided to the Policy, Followup and Training office when the reports are released.

3. Specially Marked Reports. The information contained in the synopsis must be appropriately classified based on the report. The synopsis for specially marked reports (procurement-sensitive and medical quality assurance) must show the same markings as the report it summarizes. The synopsis for audit reports that contain medical quality assurance information should include the following statement:

This report contains information related to medical quality assurance. 10 U.S.C. S1102 prohibits the disclosure of medical quality assurance records or information. This report will be provided to government offices which have a need for it in the performance of official duties.

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PROPERTY ACCOUNTABILITY
U.S. ARMY OPERATIONS COMMAND
FORT XXXXX, SOUTH CAROLINA

AUDIT REPORT: SR 94-3 **18 November 1993**

U.S. Army Operations Command had established adequate procedures for the hand receipt holders to conduct physical inventories. Command had written procedures detailing when and how hand receipt holders were to conduct inventories. Hand receipt holders made and adequately documented all required inventories.

Command properly processed documents and recorded transactions to maintain accurate accountable records.

Command adequately accounted for its property, except for organizational clothing and individual equipment items. The Office of the Deputy Chief of Staff for Logistics didn't develop adequate policies and procedures to support unit needs for these items. Therefore, the units at Fort XXXXX purchased, stocked, and issued organizational clothing and individual equipment items that weren't authorized. Also, about $1.6 million of these items weren't recorded in command's consolidated property book or properly controlled.

Command didn't have adequate procedures to make sure that the property book office verified onhand quantities before processing property requests. As a result, we identified 22 requisitions, valued at about $962,000, for items that were excess to command's needs. Command didn't adequately manage property authorizations because the property book office didn't reconcile property authorization documents with property book balances. Also, command didn't establish the controls necessary to dispose of and prevent the accumulation of excess property. As a result, command had about $3.2 million in excess equipment recorded in the property book. About $718,000 of the excess items were in short supply Armywide.

Also, the Army's Management Control process, as it relates to property accountability, wasn't fully effective. The report has three findings:

- Organizational Clothing and Individual Equipment
- Excess Property
- Internal Controls

DA ELEMENT:	**PROGRAM DIRECTOR:**
Deputy Chief of Staff for Logistics	Mr. C.A. Smith (703) 756-2900

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APPENDIX D

REPRODUCTION AND DISTRIBUTION

1, Reproduction. After a standard, special, advisory, or trend report is finalized, it will be forwarded to Executive Services with a request for reproduction. Memorandum reports will be reproduced locally by the preparing office.

2, Distribution

a. The responsible office will examine selected copies of a printed report-making sure to check the copies being sent to the addressees of the report. If the printed audit report is not suitable for release, it will be re-dated and a new request for printing will be prepared. Reports are to be released and distributed on or before the date of the report.

b. An "action memorandum" will be used to transmit final audit reports containing findings to the major command, Headquarters, DA Staff or Secretariat agency having responsibility for action on the report; a copy of the Form 328, Potential Monetary Benefits, will be enclosed. Care must be exercised to ensure that the action memorandum(s) is

addressed correctly. A no-finding report does not need a transmitting memorandum; however, if circumstances warrant, the audited activity or its higher levels of command may be asked to comment on the auditors' conclusions in the report.

c The responsible office will also:

- Distribute information copies of the report to those listed in the report's Annex, "Others Receiving Copies of the Report", and to other Agency elements. Appendix F shows the standard distribution of audit reports.
- Review the final audit report synopsis that summarizes the audit report's major conclusions, date, and forward a copy to the Planning and Resource Management office.
- Distribute three copies of the report to Policy, Followup and Training office with copies of the action memorandum(s), audit report synopsis, and USAAA Form 328.
- Provide The Auditor General with an information copy of the audit report and the final report of Potential Monetary Benefits (USAAA Form 328).

d. Executive Services will mail the report on or before the date of the transmitting memorandum(s).

e. After report distribution is completed, the Planning and Resource Management office will be given the print-ready copy of the audit report, and the Part I file containing:

- The original memorandum approving release of the report, if applicable.
- Copies of correspondence transmitting the report to the appropriate activities for action and to the Policy, Followup and Training office.
- The distribution worksheet.
- A copy of any comments from the Office of Counsel.
- The dated audit report synopsis.
- A copy of the USAAA Form 328.
- Extra and file copies of the printed audit report.

f. For memorandum reports, the preparing office will furnish:

- Copies of the report to the addressee of the report.
- Copies to the next higher or major command when the report is issued to a local command, if appropriate.
- Three copies of the signed and dated report will be forwarded to the Planning and Resource Management office with the supporting documents required for a standard report.

The Planning and Resource Management office will provide the appropriate deputy auditor general with copies of field office initiated and signed memorandum reports, and will provide a copy to The Auditor General.

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APPENDIX E

PROCESSING OFFICIAL COMMAND REPLIES

1. Receipt of Replies. The official command replies are received by the Policy, Followup and Training office who in turn forwards them to the appropriate program director with a suspense for making the necessary reply.

2. Program Director Review. When the program director receives the replies, they will be reviewed giving particular attention to disagreements. If a time-sensitive, significant issue is involved, the procedures prescribed in this regulation need to be implemented as quickly as possible. The program director is also to consider:

- Whether the replies are responsive to the report's recommendations.
- Whether the activity's corrective actions-taken or to be taken-are adequate. (The activity should identify specific actions to correct the deficient conditions, not merely state that consideration will be given to the matter or that tests or studies will be made.)

- Whether the replies provide or confirm completion dates for actions taken and target dates for corrective actions not taken by the time of the reply, as required by AR 362.
- For repeat findings, whether the reply includes the reasons for the repeat and the current status of corrective action.
- Whether any additional guidance needs to be provided to the Policy, Followup and Training office for forwarding to the command in the closeout notice. When "additional guidance" is provided, the related recommendations normally are to be treated as disagreements so an Army position can be established.

3. Field Office Review. The program director may forward a copy of the command reply to the cognizant field office for comment. The transmitting memorandum will highlight any significant points to be considered in reviewing the responses, including problem areas cited in the preceding paragraph. When the command replies do not fully agree with all the recommendations in the audit report or when additional facts or information is provided by command, a written response will be requested from the field office. Otherwise, a negative reply may suffice. If additional time is required to perform the review, the responsible program director will contact the Policy, Followup and Training office.

4. Agency Response. The program director will prepare the response to the Policy, Followup and Training office.

a. If in full agreement with the command replies and consider the actions taken or contemplated to be fully responsive to the findings and recommendations, the response should state this and there is no objection to closing out the command reply process.

b If the program director wants to keep the command reply process open, the reasons should be clearly stated in the response. Such reasons would include disagreement with command as to:

- Command's comments on the recommendations.
- Corrective actions to be taken.
- Other facts stated in the command replies, such as the amount of potential monetary benefits to be realized.

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5. Resolution of Disagreements at the DA Level

a. Mediation Meetings. Agreements reached at mediation meetings are documented in a memorandum of understanding. The memorandum should contain the names of the attendees, what was agreed upon, etc. Representatives of the DA functional proponent office and the appropriate Agency representatives must sign these memorandums; the Policy, Followup and Training office maintains the original signed copy and a copy is furnished the appropriate program director.

b. Adjudication. When a disagreement is being forwarded to the Vice Chief of Staff or Under Secretary of the Army for adjudication, copies are to be forwarded to the appropriate program director for information.

c. Resolution Preempted. When an audited activity takes an action contrary to one or more of the Agency's significant recommendations before the issues can be elevated and resolved through the normal adjudication process prescribed by AR 36-2, the audited activity has, in effect, preempted the resolution process and made any DA position on the issues subject to debate. In these cases, the program director should take one of these actions:

- Recommend the area for a special followup audit.
- Inform the activity's higher command-including the Vice Chief or Under Secretary, if necessary-of the actions taken contrary to the provisions of AR 36-2 so the higher command may initiate appropriate followup.

6. **Potential Monetary Benefits**. Audited activities are also required to express agreement or disagreement with the estimated potential monetary benefits in the audit findings addressed to them. Because sufficient documentation is usually not available at the DA level to resolve differences of opinion as to the reasonableness of the amount of potential monetary benefits, it is important that differences of opinion be fully discussed with the audited activity and resolved, if possible, by the local Agency auditors. If matters cannot be resolved at that level, the difference of opinion is to be adjudicated in the same manner as any other disagreement.

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6. The Closeout Process

a. The Closeout Notice. When the Policy, Followup and Training office prepares a closeout notice, it will forward a copy to the appropriate program director. The program director will review the notice to ensure that it is complete and accurate based on the actions taken in connection with the command reply and resolution process. If a significant matter is either incorrectly addressed or omitted in the closeout notice, the Policy, Followup and Training office should be notified promptly.

b. Army Position Statements. Periodically, the Policy, Followup and Training office will forward copies of accumulated Army Position Statements on recently completed and closed-out audits to the Planning and Resource Management office. When received, copies will be furnished to the appropriate program director.

c. Part III File. After all pertinent resolution and closeout documents required by USAAA Regulation 36-69, Establishing and Maintaining Headquarters Files on USAAA Audit Reports, are in the Part III file, the file is to be forwarded to the Planning and Resource Management office. The files are retained for the current and 2 preceding fiscal years. The Policy, Followup and Training office, having official responsibility for the resolution and closeout of audit reports, retains closeout files for 2 years and then sends them to a repository. There they are kept for an additional 8 years.

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APPENDIX F

STANDARD DISTRIBUTION FOR AUDIT REPORTS

1. Guidance

a. General. Normally, each addressee of a standard audit report should receive five copies. In addition, the major command or the Headquarters, DA functional proponent agency that is responsible to ensure action is taken on the report should receive five copies. However, the following activities have requested that they receive more than five copies, as indicated:

Commanders in Chief	
U.S. Army, Europe and Seventh Army	15
Commanders	
Forces Command	10
U.S. Army Training and Doctrine Command	3
U.S. Army Materiel Command	14
U.S. Army Information Systems Command	15
U.S. Army South	10
Eighth U.S. Army	18

2. **Universal Distribution**. The following activities also receive copies of every report, with the quantities indicated:

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Assistant Secretary of the Army (Financial Management and Comptroller)	2
The Inspector General	1
Chief of Public Affairs	1
Director of the Army Staff	1
Deputy Chief of Staff for Personnel	2
Deputy Chief of Staff for Logistics	1
Assistant Chief of Staff for Installation Management	1
Commanders	
U.S. Army Criminal Investigation Command	1

MP Group, U.S. Army CIDC	2
Commandant, U.S. Army Logistics Management College	1
Director, Center for Army Lessons Learned	1
Under Secretary of Defense (Comptroller)	1
Inspector General, Department of Defense	4
Director, Defense Intelligence Agency	1
Auditor General, Air Force Audit Agency	3
Auditor General, Naval Audit Service	1

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c. Information Copies. When other activities are to be included in distribution for information only, the following activities have requested more than one copy, as indicated:

Assistant Secretary of the Army (RDA)	2
Deputy Chief of Staff for Intelligence	2
Chief of Engineers	2
The Surgeon General	2
Commanders in Chief	
U.S. Army, Europe and Seventh Army	5
Commanders	
Forces Command	5
U.S. Army Training and Doctrine Command	1
U.S. Army Materiel Command	5
U.S. Army Information Systems Command	8
U.S. Army Health Services Command	2
U.S. Army, Pacific	5
U.S. Army Corps of Engineers	2
U.S. Army South	10
Eighth U.S. Army	5
MP Group, USACIDC	2

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d. Special Distributions

- For audits which are under the cognizance of the Program Director for Logistical Audits, one information copy will be provided to:

  Commander, U.S. Army Logistics Integration Agency

  and

  Executive Director, U.S. Army Materiel Command

  Logistics Support Activity

- The Deputy Assistant Secretary of the Army for Budget and Director, Program Analysis and Evaluation will be provided with one copy of all multilocation audit summary reports, advisory and trend reports, and all audit reports having monetary benefits with copies of applicable USAAA Forms 328.

- A copy of single-location audit report that address issues of major Army concerns will be provided to Director, Program Analysis and Evaluation even if there are no reportable monetary benefits.

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e. Distribution Within USAAA. The following table will be used to distribute copies of reports to Agency regions.

Number of Copies Distributed

	Preparing Workcenter	Other Workcenters and File copies
Formal Reports:		
Philadelphia	(per transmitting memo)	2*
Hanover	(per transmitting memo)	2*
St. Louis	(per transmitting memo)	2*
San Antonio	(per transmitting memo)	2*
Hawaii, Korea field offices		1 ea

*1 to field office, 1 to workcenter

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All Printed Reports (except classified reports)

The Auditor General	1 copy
Planning and Resource Management	**per audit report technician**
Audit Followup and Compliance	3 copies

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2. Worksheet and Protocol Order

a. The following pages provide a worksheet to use in determining (i) the number of copies needed for a particular audit report, and (ii) the appropriate protocol order to use in listing the recipients of the report. The activities and quantities from the preceding paragraphs have been filled in, as appropriate.

b. Additional guidance on protocol order can be found in AR 25-50, Preparing and Managing Correspondence, dated 21 November 1988.

AUDIT REPORT QUANTITY WORKSHEET AND PROTOCOL ORDER

Protocol Order	**All Audits**	**For Info**	**Action/ Addresses**
Secretary of the Army			
Chief of Staff, Army			
Under Secretary of the Army			
Vice Chief of Staff			
Assistant Secretary of the Army (Civil Works)		1	
Assistant Secretary of the Army (Financial Management and Comptroller)	2		
Assistant Secretary of the Army (Installations, Logistics and Environment)			

Assistant Secretary of the Army (Manpower and Reserve Affairs)		1	
Assistant Secretary of the Army (Research, Development and Acquisition)		2	
General Counsel			
Director of the Army Staff	1		
Administrative Assistant			
Director of Information Systems for Command, Control, Communications and Computers		1	
The Inspector General	1		
Deputy Under Secretary of the Army			
Deputy Under Secretary of the Army (Operations Research)		1	
Chief of Legislative Liaison		1	
Chief of Public Affairs	1		
Director, Office of Small and Disadvantaged Business Utilization		1	
Chairman, Army Reserve Forces Policy Committee		1	
Deputy Chief of Staff for Operations and Plans		1	
Deputy Chief of Staff for Personnel	2		
Deputy Chief of Staff for Logistics	3		
Deputy Chief of Staff for Intelligence		2	
Deputy Chief of Staff for Installation Management	1		
Chief of Engineers		2	
The Surgeon General		2	
The Judge Advocate General		1	
Chief, National Guard Bureau		1	
Chief, Army Reserve		1	
Assistant Chief of Engineers			

Deputy Assistant Secretary of the Army for Budget		1	**(See Note)**
Director of Management			
Director, Program Analysis and Evaluation		1	**(See Note)**
Other HQDA Activities (1 each)			
MAJOR COMMANDS			
Commanders in Chief			
U.S. Army, Europe and Seventh Army		5	15
Commanders			
Forces Command		5	10
U.S. Army Training and Doctrine Command		1	3
U.S. Army Materiel Command		5	14
U.S. Army Information Systems Command		8	15
U.S. Army Medical Command		2	
U.S. Army, Pacific		5	
U.S. Army Special Operations Command		1	
U.S. Army Military District of Washington			
U.S. Army Corps of Engineers		2	
U.S. Army Criminal Investigative Command	1		
U.S. Army Intelligence and Security Command			
U.S. Army South		10	10
Eighth U.S. Army		5	18

Military Traffic Management Command		1	5
Other			
Audited Commands/Activities (5 each)			
Commanders	2		
MP Group, USACIDC	2		
U.S. Army Logistics Integration Agency		1	
U.S. Army Quartermaster Center and School		1	
U.S. Army Combined Arms Support Command and Fort Lee		1	
U.S. Army Safety Center		1	
Executive Director, U.S. Army Materiel Command Logistics Support Activity		1	
Commandant, U.S. Army Logistics Management College	1		
Director, Center for Army Lessons Learned	1		
Under Secretary of Defense (Comptroller)	1		
Assistant Inspector General for Audit Policy and Oversight, Department of Defense	3*		
Assistant Inspector General for Audit Policy and Oversight, Department of Defense (Library)	1*		
Director, Defense Intelligence Agency	1		
Auditor General, Air Force Audit Agency	2		
Assistant Auditor General, Air Force Audit Agency	1**		
Auditor General, Naval Audit Service	1		

U.S. Army Audit Agency Distribution:			
The Auditor General	1		
Planning and Resource Management (except classified reports)	per audit report technician		
Audit Followup and Compliance	3		
Issuing Program Director			
Originating Workcenter			
Other Workcenters***			
Philadelphia	(2)		
Hanover	(2)		
St. Louis	(2)		
San Antonio	(2)		
Hawaii, Korea field offices	1 ea		
Total Copies required			

NOTE: These offices will receive copies of reports as sted in paragraph 1d.

**** Shown in Annex as "Inspector General, Department of Defense"***

***** Not shown as separate recipient in report annex.***

****** One for workcenter, one for field office.***

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APPENDIX G

CUSTOMER SATISFACTION QUESTIONNAIRE

1. Selection of Customers. At the end of each engagement, the Level II will identify up to six customers whom the auditors had dealings with. For reports generated in the Operations Center, the program director will identify the customers. The customers should range from the operations level to the command group or DA level, as appropriate. The list will include a complete mailing address for each customer, the audit assignment number, the report number, and the report title. See G-3 for an example of a customer list.

2. Processing of Questionnaires. The customer list will be forwarded to the editor. The editor will use the list to process the Customer Satisfaction Questionnaire packages after the program director assigns a report date. The editor will:

- Prepare the Customer Satisfaction Questionnaire packages for the customers on the mailing list, including:
  - Instruction Memoranda for the Clients (G-4).
  - Customer Satisfaction Questionnaires (G-5) with the report titles, report numbers and audit assignment numbers included at the top of the first page.
  - Postage-paid envelopes addressed to:

U.S. Army Audit Agency
Office of Productivity Improvement (SAAG-ZI)
3101 Park Center Drive
Alexandria, VA 22302-1596

- Sign the Instruction Memoranda, under the signature authority of the Chief, Office of Productivity Improvement.
- Send out the questionnaires to the customers about two weeks after the product release date.
- Send or Fax a copy of the mailing list to the Office of Productivity Improvement(SAAG-ZI) with the editor's name appended.
- Maintain an electronic cumulative list of packages sent out to respond to inquiries from the Office of Productivity Improvement.

3. Survey Results. The Office of Productivity Improvement will establish a database to collect the data from the returned questionnaires. The database will be used to determine how well the Agency is doing in dealing with and servicing our clients, and answering the applicable USAAA Performance Measures. After the Office of Productivity Improvement has processed the returned questionnaires, they will periodically send them to the applicable deputy auditor general for review and further dissemination to program directors and Level IIs.

4. Exceptions. There may be instances when the Level II or program directors may elect not to send questionnaires to customers on some audit reports, but to defer the process until all the work on a particular assignment line is completed. This would normally be done to relieve the customers from completing multiple questionnaires. In these instances the Level II or program director will send a statement of deferment (G-8) to the editor, instead of a customer list, when the product is issued. The editor will then forward this statement to the Office of Productivity Improvement for tracking purposes.

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COVER LETTER:

DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
Office of the Deputy Auditor General
Policy and Operations Management
3101 Park Center Drive
Alexandria VA 22302-1596

SAAG PMO

SUBJECT: U.S. Army Audit Agency Customer Satisfaction Questionnaire

1. I'm asking for a few minutes of your time to give us your candid feedback on the value and utility of the engagement we recently performed at your command. Your response is essential to help us to continue improving the way we do business and thus increase our value to you and the Army. As part of this effort, we may contact you during our followup process.
2. Since you were directly involved with our audit of the Financial Management of Limited User Test II Funds for the Hunter Unmanned Aerial Vehicle Program, we selected you to receive the enclosed questionnaire. If you have any questions about the content of the questionnaire, please contact Ms. Susan Ratchford at commercial (703)681-4287 or DSN 761-4287.
3. For your convenience we have included a postage-paid envelope addressed to our Organizational Effectiveness Division, ATTN: SAAG-PMO (Ms. Susan Ratchford), 3101 Park Center Drive, Alexandria, Virginia 22302-1596. Please mail your response within 30 days.
4. Our goal is to ensure that the Agency is responsive and adds value to the Army. The information you furnish will help us identify specific areas to focus our attention on. I sincerely appreciate your participation and feedback.

FOR THE DEPUTY AUDITOR GENERAL:

3 Encls

LARRY R. SILER
Program Director
Organizational Effectiveness

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QUESTIONNAIRE

CUSTOMER LIST

Audit Report: AA 96-745

Assignment Number: C6405C

Title: Audit of Dredging Operations - Industry Bidding Practices.

ADDRESSEES/POINTS OF CONTACT

Dr. John Zirschky
Assistant Secretary of the Army (Civil Works)
Department of the Army
Office of the Assistant Secretary of the Army (Civil Works)
108 Army Pentagon
Washington, DC 20310-0108
(703) 697-8986

Mr. Barry Holliday
Chief, Dredging and Navigation Branch
Headquarters, Corps of Engineers
CECW-OD
20 Massachusetts Avenue, N.W.
Washington, DC 20314-1000
(202) 761 8832

Mr. Michael Kishiyama
Project Director
Engineering Strategic Studies Center
U.S. Army Corps of Engineers
Casey Building #2594
Fort Belvoir, VA 22060-5583
(703) 355-2119

We mailed Customer Satisfaction Questionnaires to the above Addressees on 21 September 19XX.

Faith M. Pruett
Editor

COVER LETTER:

SAAG-

MEMORANDUM FOR

SUBJECT: U.S. Army Audit Agency Customer Satisfaction Questionnaire

1. I'm asking for a few minutes of your time to give us your candid feedback on the value and utility of the engagement we recently performed at your command. Your response is essential to help us to continue improving the way we do business and thus increase our value to you and to the Army.

2. Since you were directly involved with our recent engagement of _____, we selected you to receive this questionnaire. If you have any questions about the content of the questionnaire, please contact me at commercial (703) 681-9893 or DSN 761-9893.

3. For your convenience we have included a postage-paid envelope addressed to our Office of Productivity Improvement (SAAG-ZI), 3101 Park Center Drive, Alexandria, VA 22302-1596. Please mail your response within 30 days.

4. Our goal is to ensure that the Agency is responsive and adds value to the Army. The information you furnish will help us identify specific areas to focus our attention. I sincerely appreciate your participation and feedback.

FREDERICK G. HOFFERBERT, JR
Chief, Productivity Improvement

Encl

STATEMENT OF DEFERMENT

1. We didn't send customer satisfaction questionnaires for:

AA 96-778, Modification to the Cooperative Funding Agreement, Gramboko Building Renovation, St. Thomas, U.S. Virgin Islands.

2. There will be other reports issued on the same assignment line-R6797C. We will send questionnaires when we issue the last report.

JOHN SMITH
LEVEL II

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION
NO. 36-55

31 DECEMBER 1988

Audit

CORRECT AND PREFERRED USAGE IN AUDIT REPORTS

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1. PURPOSE. The primary purpose of this regulation is to improve the quality of Agency audit reports and other written material. This objective can be achieved by consistent application of the technically correct and preferred usage provided.

2. APPLICABILITY. All Agency personnel are to use the guidance in this regulation in writing and reviewing Agency audit reports and other written material.

3. BACKGROUND. This regulation does not contain all guidance needed for writing Agency audit reports. Rather, it concentrates on recurring problems in usage found in Agency writing and on questions asked by Agency personnel.

4. REFERENCES. Writers should also consult the "U.S. Government Printing Office Style Manual" and "Webster's Third New International Dictionary" (unabridged).

5. POLICY. Guidelines in this regulation will receive preference. Preference will then

be given to guidelines in the "U.S. Government Printing Office Style Manual" and in Webster's Third New International Dictionary" in that order.

FOR THE AUDITOR GENERAL:

S/Thomas Druzgal
THOMAS DRUZGAL
Director Audit Policy,
Plans and Resources

APPENDIX A

WORD CHOICE

1. **GENERAL.** The words chosen for our audit reports must be objective, simple, precise and correct so readers will understand and accept the information in the reports.

2. **WORD WATCH**

Do Not Use:	Use:
fraud, waste and mismanagement (or abuse)	abuse and illegal acts
access (as a verb)	gain access to
aforementioned	usually no substitute in needed because the definite article "the" suffices to specify whatever is being referred to.
at 1 November 1987	as of (1 November 1987) or on (1 November 1987)
contended, contention	stated, said, believed (or some other appropriate, objective word)
disagreed-in command comments (Command disagreed . . .)	did not agree (Command did not agree . .)
excess (as verb)	declare (something) excess
failed to, neglected to, to (in referring to command)	did not (or some other refused appropriate, objective words)
feel	believe, think, know

format (as a verb)	put into a format, arrange
heretofore	previously, up to the present time
hopefully	(delete)
illegal, incompetent	(delete)
misstatement	error, discrepancy
more importantly	more important, what is more important (or delete)
nonconcurred	did not agree
persons	personnel, individuals
provide input to	contribute, respond, comment on, furnish, supply
has proponency for	is the proponent
resource (as a verb)	supply (or some other appropriate word)
servicemember	soldier

surface (as a verb)	identify, raise, come up, unless referring to something tangible
target as a verb)	select
the undersigned	I, we
thereto	(delete)
transition (as a verb)	make the transition (to), change (to)
update (as a noun)	recent information, current information or some other appropriate words)
utilize	use, employ, unless discussing a new, profitable or practical use for something
whereas	In contrast (or some other appropriate word or words)
workloading (as a verb)	assign or give work

3. **NEUTRAL LANGUAGE**. Most discussion in Agency reports could apply to both men and women. Therefore, reports usually should be written in neutral language to prevent the possibility of sex discrimination. To write in neutral language:

Sexually Specific:	Neutral Substitute:
The commander may not direct than an evaluation be changed. He may not use. . .	The commander may not direct that an evaluation be changed The commander may not use . . .

- Use plurals instead of singulars.

Sexually Specific:	Neutral Substitute:

Although each participant is to be evaluated, he . . .	Although all participants are to be evaluated, they . . .

- Replace sexually specific terms with neutral substitutes.

Sexually Specific Term:	Neutral Substitute:
chairman, chairwomen	presiding officer, leader, moderator, chairperson
congressman	member of Congress, representative, legislator
crewman	crewmember
draftsman	drafter
enlisted man, enlisted woman	enlisted soldier, enlistee
fireman	firefighter
foreman	supervisor, manager
man-day	auditor-day, workday
man-hour	workhour
manmade	synthetic, manufactured, artificial
midshipman	naval cadet. naval academy student
per man	per person (better: for each individual)
policeman	police officer
repairman, handymen	maintenance worker or personnel (or specific words such as "electrician," "carpenter")

NOTE: A sexually specific term may be used in discussing a:

- Topic that involves only one sex (for example, uniforms for female soldiers).
- Title or quote containing such a term.

- Specific individual (for example, a contractor) if avoiding the term would result in awkward or contrived sentences.

4. **MISUSED TERMS**

Incorrect	Correct
automated data processing system	automatic data processing system
commercial, industrial-type activities	commercial activities
Depot Systems Command	Depot System Command
packaged beverage branch	package beverage branch
standard operating procedures	standing operating procedures
synthetic flight training devices	flight simulators

5. **FOREIGN TERMS**. Foreign terms should be replaced with English terms whenever possible.

a. "E.g." "E.g." means "for example." Instead of "e.g.," use "for example" followed by a concrete example.

b. "I.e." "I.e." means "that is." Instead of "i.e "that is: followed by a restatement or an explanation.

c. "Etc." "Etc." means "and so on. Instead of using "etc. " at the end of a series of items, begin the series with, "for example," "such as," or a similar expression that tells the reader the series is not complete.

d. "Per." "Per," which means "through" or "by means of," is overused. Expressions such as "50 miles an hour" or "three times a day" are better than "50 miles per hour" or "three times per day." "Per" should not be replaced, however, in "per diem" or "per capita."

6. **IDIOMS.** An idiom is an expression peculiar to a language. It may be ungrammatical or illogical, but through usage it has become part of the language. English is fussy about the assignment of prepositions to make idioms. Use the proper prepositions with the words in this list.

abstain from (something)
accede to (something)
accommodate (oneself) to (circumstances)
accompanied by (a person), with (something else)
accord with
according to
account for (an error)
accountability for (something)
accountable for (actions)
accuse of
acquiesce in (an arrangement)
adapt to (requirements)

adept in
adequate to (the demand), for (the purpose)
adhere to (principles)
adverse to
agree to or with (a recommendation), with (a person in wishing to do something), on (a plan)
agreeable to (a plan, a proposal)
argue for, against, or about (a proposal), with (a person)
attend to (something)
authority for (a statement), over (a subordinate), on (a subject)
averse to

capability for (some ability)
capable of (an action)
capacity to (do something, of (an enclosure, a measure)
center in, on, or at -- not "around"
characteristic of (a person, thing, or class)
compare to (liken one to another), with (measure one against another)(See Troublesome Words.)
comply with (something)
concern in-means "be interested"
concerned about (lack of funds), for (a person), with (an action)--means "involved in"
concur in (an opinion), with (a person)
conducive to (an end, usually a desirable result)
confer with (someone), about (something)
conform to (standards)
conformity with (a rule)
consist of (to be made up of) in (to be inherent, to reside in)
contrast between (two thing), to (something else)
correspond to (something)--means "be like or similar to"

descend from (something)
desire for (something or someone
desirous of (something)
desist from (doing something)
devoid of-means "completely lacking"
differ with (a person), from (something else), about or over (a question)
difference between (two things), among (more than two things)
different from (a thing or person)

empty of (some quality)--means "lacking"
enter (something) in (a record)--not "on," into (an agreement), upon (duties)
expert in (a subject, a skill)

foreign to -- means "not related or connected"
free from or of-means "not affected or restricted by a condition or circumstances"

guard against (something)--means "to take precautions

identical with (something)--"with" is preferred to "to"
incompatible with (something)
independent of (something)--not "from"
infer from (a statement or action)--means "draw a conclusion"
inferior to (something)
initiate into (something)
in search of (something or someone)

inseparable from (something)
inside of (only with expressions of time -- no preposition ("of" when meaning "within")
integrate with
interest in (a thing, an individual)
investigation of
involve in (something)

merge into or in (something)--not "with"
monopoly on or of

necessity for (something), or (doing something)

outside -- no preposition when physical meaning is intended

peculiar to (a person or thing)
plan to (go), for (something), on (going)
preparatory to (something)
prerequisite to (for the adjective), of (for the noun)
proficient in (a knowledge, a skill)
profit by (knowledge)
prohibit from (doing something)
protest against (something)

reason with (someone)
responsible to (someone), for (something)
rewarded by (an individual), for (something done), with (compensation)

sensitive about (something), to (a stimulus)
separate from -- means "not connected"
substitute for (someone or something)
superior to (someone or something)

tamper with (something)
try to (do) -- not "and" do

unequal to -- means "not having the required abilities, inadequate" unmindful of (something)

wait on (a customer), for (a person or event), at (a place)
worthy of consideration

7. **TROUBLESOME WORDS**

a. "**Ability," "Capability**." "Ability" is innate or acquired. It means "a natural or acquired skill or talent." "Capability" is innate. It means "potential ability," "the capacity to be used, treated or developed for a specific purpose."

b. "**Adapt," "Adopt**." "Adapt" means to change," "modify," or "make suitable." "Adopt" means "to accept," "to take up (or over) and use as one's own," or "to take and follow by choice" (a course of action, for example).

By means of a coupling, the sight can be adapted for the M-16 rifle.

The sight was adopted as standard equipment for the M-16 rifle.

c. "**Affect," "Effect**

(1) As a verb (its most common use), "affect" means "to influence," "concern," or "produce a change in."

The omission of the essential repair parts could seriously affect the Army's capability to - -

(2) As a noun, "affect" should be used only to discuss psychology.

(3) As a verb, "effect" means "to cause," "bring about," or "produce."

The restructure will effect no change in . . .

(4) As a noun, "effect" means, "result" or "consequence..,

The effect of the change was . . .

NOTE: Both "affect" and "effect" are overworked; replace them whenever possible.

d. "**All Ready," "Already."** "All ready" is an adjective phrase that means "everything is in readiness" or "everyone is ready." "Already" is an adverb. It expresses time and can usually be omitted.

When the hour came, they were all ready.

They had (already) written the letter.

e. **"All Right," "Alright."** "Alright" is incorrect.

f. "**Alternate," " Alternative**." The noun "alternate" means "a substitute," "one empowered to act in place of another." The adjective "alternate" means "every other one" or "following by turns." (Some dictionaries also show "substitute" and "second choice" as meanings for the adjective "alternate," but most authorities do not accept this usage.) "Alternative," the adjective and the noun, should be used in discussing a choice between two or among several possibilities. (Where it will fit, the noun "choice" is simpler than the noun "alternative.")

. . . was appointed as an alternate

. . . should be done in alternate months

The alternative to the present procedure is. . .

Several alternatives (choices) were proposed.

They proposed an alternative course of action.

g. "**Among," "Between."** "Among" is usually used with three or more things or people. "Between" is usually used with two things or people, but can be used with more than two if each is being considered individually. The proper use of "between" does not depend on the number of things or people but on whether they are being considered in pairs.

Agreements were made between the six directorates.

h. **"Amount, " "Number**." If items are measure in bulk, use "amount." If items can be counted, use "number."

A large amount of steel was . .

A number of steel plates were . . .

i. "**Appraise," "Apprise."** "Appraise" means "set a value on." "Apprise" (usually used with "of ") means "inform, tell or notify."

They appraised the stored computer equipment at $1.1 million.

The commander was not apprised of the development.

Better: The commander was not told about the development.

j. **"As," "Since**." Using "as" to mean "because" is confusing. Use "because" or "since" instead.

The loss had not been recognized in the accounts because (not "as") the amounts were included as assets.

Efficiency was impaired since (not "as") the clerks had to spend more time handling records.

"Since" can also be used in a temporal sense.

Since the date of the order, about 10 activities have been (not were) consolidated. ("Have been" is required rather than "were" when "since" is used in the temporal sense.)

k. **"Assure," "Ensure," "Insure."** "Assure" refers to people; it means setting their minds at ease or removing their doubts. "Ensure" is used more often than "assure" in report writing, but try not to overuse it. "Make sure" is a good substitute. "Insure" usually should not be used in audit reports unless insurance is being referred to.

Tactical unit personnel assured the battalion commander that their equipment was ready for inspection.

The division maintained a highly mobile force to ensure coverage of forward defensive positions.

1. "**Beside," "Besides**." Use "beside" to mean "by the side of." Use "besides" to mean "in addition to," "except for," "also," and "furthermore."

The achievement can be ranked beside that of. . .

. . .. no items besides those reported.

m. **"Compare With," "Compare To."** To "compare with" is to examine objects to find differences or similarities. To "compare to" means "to imply a likeness between objects that are essentially different."

We compared expected sales with actual sales.

Life has been compared to a pilgrimage.

n. "Complement," "Compliment. "Complement" means "something that completes or fulfills." A compliment is a remark of praise or admiration.

. . .a platoon with its normal complement of weapons was . . .

o. "**Comprise," "Compose," "Constitute**." "Comprise" means "embrace," "include," "consists of," or "be composed of." The Army (the whole) comprises divisions (the parts) because it includes them. Divisions do not comprise (include) the Army; they constitute (make up) the Army. Or another way, the Army is composed of (made up of) divisions. "Is comprised of" should not be used.

Each line squadron comprises a headquarters troop, three cavalry troops, a tank company, and a field artillery battery.

A chemical detachment, tactical and support air troops, and combat engineer company constitute the control squadron.

The control squadron is composed of. . .

p. "**Continuously," "Continually."** "Continuously" means "without interruption." "Continually" means "with occasional interruption."

The unit was continuously on alert during the readiness training period.

Prescribed load requirements for petroleum, oils and lubricants are continually updated.

q. **"Different From," "Different Than."** "Different from" is the more acceptable construction.

The new report was different from the old one.

r. **"Disclosed," "Revealed," "Showed**." "Disclosed" means "to make known something that has been under consideration but for valid reasons has been kept from public knowledge." "Revealed" means "to make known what has been kept secret." When these words are used in discussing audit results, they imply something more than we usually mean to say. "Showed," which means "to present something to view," is a more neutral word and preferred.

s. **"Disinterested," "Uninterested**." "Disinterested" should be used to convey objectivity or neutrality. "Uninterested" means "lacking interest."

The cash count should be checked by disinterested (not "uninterested") personnel.

t. "**During," "In**." "During" should be used to discuss action throughout a period of time. "In" should be used to discuss one point in the course of action.

During fiscal year 1982 the U.S. Army Audit Agency issued six advisory reports.

In June, V Corps requested approval to acquire microfiche equipment.

u. "**Ended," "Ending**." For a period completed in the past, "ended" is the preferred usage, although "ending" is permissible. For a period to be completed in the future, "ending" should be used.

During the period ended 30 September 1984.

They will be trained in a session ending 6 September 1997.

v. **"Farther," "Further**." "Farther" should be used for physical distance. "Further" should be used to indicate additional time, quantity or degree.

The building was farther away.

We investigated further.

w. "**Fewer," "Less**." "Fewer" should be used when referring to individual numbers or units that can be counted. "Less" should be used when referring to a collective quantity or to something abstract. Sentences involving periods of time, sums of money, or measures of distances and weight usually require the word "less" since the sense is collective.

Fewer members of the unit reported during

. . .was finished in less time than . . .

. . . was less than $2,000.

x. **"Follow," "Use**." The word "follow" (not "use") should be used when the meaning is to "act in accordance with," " advocate" or "comply with."

Emphasis was placed on evaluating policies followed in two key areas . . .

y. "**Imply," "Infer**." "Imply" means "to suggest; "infer" means "to draw a conclusion from an action."

The speaker implied that . . .

I inferred from the speech . . .

z. "**Kind of," " Sort of," "Type of**." "Kind of" and "sort of" are colloquial when used to mean "somewhat" or "rather." Use "somewhat" or "rather" instead.

The type of record that should be used . . . (Remember to include the "of" after the words "kind," "sort" and "type." But do not follow the "of" with the articles "a" or "an.")

aa. "**Lay," "Lie**." "Lay" means "to place." It always takes an object. "Lie" means "to rest or recline." It never takes an object.

They laid (past tense of "lay") the equipment on the ground.

The equipment lay (past tense of "lie") on the ground.

bb. "**List," "Listing**." Although the noun "listing" can mean "list," it can also mean "an entry in a list" or "the act of making a list or entering in a list." Therefore, the noun "list" is preferred for an item-by-item printed or written entry of individuals or things, often arranged in a particular order, and usually of a specified nature or category.

We examined 10 items on the list.

cc. "**Majority," "Most**." Majority" means "more than half," not "the greatest part of." "Most" means "all but a few."

dd. "**Material," "Materiel**." "Materiel" should be used only for items of military equipment, such as tanks and weapons. Otherwise, use "material."

Combat support units are to move their materiel to wartime positions when. . .

Supply clerks did not accurately record the amount of building material on hand.

ee. **"Oral," "Verbal**." "Oral" means "by mouth." "Verbal" means "in words," either spoken or written. "Verbal" is often used, however, to mean "oral," especially in "verbal contract" and "verbal agreement." When exactness is important (such as in comparing types of contracts), "oral" should be used.

ff. "**Parameter**." "Parameter" is a technical word with specific meaning. The use of the word in a nonmathematical sense (for example, for "fixed limits," "boundaries," "scope" or "range") is not acceptable to most authorities.

. . . should stay within the fixed limits (not parameters") of the budget.

gg. "**Part," "Portion."** "Part," the more general term, refers to any fraction of the whole. "Portion" implies definite and deliberate division of the whole.

Part of the troops were away from their home station.

The finance office had not yet received its portion. Of budgeted funds.

hh. "**Percent," "Percentage**." "Percent" should be used only in conjunction with a specific number. "Percentage" should be used as a general term to indicate size.

About 40 percent of the stock . . .

A large percentage of.

ii. **"Practicable," "Practical**." "Practicable" means "feasible or capable of being done." "Practical" means "useful or effective."

Modification of the computer system is practicable and would take only 6 months to implement. (The computer system is capable of being modified.)

Modification of the computer system is practical because it would save time and funds. (Modifying the computer system is useful.)

jj. "**Precedence," "Precedent**." The noun "precedence" mean "the act, fact or right of preceding another" or "priority." The noun "precedent" means "something serving as an example or rule for future action."

The committee decided to give the second recommendation precedence over the other three.

The 1979 meeting of the committee established that precedent.

kk. "**Principal," "Principle**." The noun "principal" means "head" or "chief" as well as "capital sum." The adjective "principal" means "highest in rank or importance." The noun "principle" means "policy," "rule," "law," "conviction" or "general theory."

The principal amounts to $25,000.

The principal mission of the division is to . . .

Work measurement is a systematic application of sound principles and procedures for planning, estimating and scheduling work.

11. "**Proved," "Proven**." "Proved" is preferred as the participle. "Proven" is more widely used as an adjective.

The examination has proved to be. . .

The theory was proven.

a proven theory

mm. "**Reference**." The verb "reference" means "to supply with references" or "to put in a form (such as a table or list) adapted to easy reference." The verb "reference" should not be used to mean "makes reference to," "discusses," "states" or "contains,"

The work is fully referenced.

The format and instructions for preparing the report are contained (not "referenced") in AR XX-XXX.

Section 3 discusses (not "references") the items needed.

nn. "**Saving," "Savings**." The singular noun "saving" means "a reduction in expenditure or cost" or "the avoidance of excess expenditures.

a saving of 10 percent in maintenance costs

a saving of $5 million

The sums of money saved are "savings," a plural noun, which should not be preceded by "a."

savings invested in U.S. Treasury bonds are. . .

As a modifier:

Daylight-saving (not "savings") time

savings bond

savings bank

oo. "**Sometime," "Some Time," "Sometimes**." "Sometime" means "at an indefinite point in time." The two-word form, "some time," should be used when the meaning is "a short or long interval or period." "Sometimes" means "at time, occasionally."

They decided sometime last week that . . .

. . . will be some time before the order is ready.

Sometimes the doors were left open.

pp. "**That**," "**Who.**" "That" is used to refer to things: "who" is preferred when referring to people.

A unit that trains together and stays together usually achieves a higher proficiency rating.

An individual who successfully completes the training program should be awarded the skill identifier.

qq. **"Timely**." "Timely" should be used only as an adjective. "Promptly," "on" ("in") time, or "in a timely manner" should be used as adverbs.

The division was given timely notification.

The division was notified on (in) time. (not ". . . was notified timely.")

Better: The division was notified promptly.

rr. "**Type**." "Type" is a noun sometimes misused as an adjective in hyphenated combinations; for example, "requirements-type contracts." A word or letter tied to "type" with a hyphen and used as an adjective is acceptable only when the reference is technical or highly specific; for example, "V-type engine" or "0-type blood."

ss. "**Usage," "Use**." "Usage" is not a more elegant word for "use." "Usage" should be used only when the meaning is "habitual or customary practice" or "manner of use." "Use" should be used for all other meanings.

usages of the modern Army

rough or harsh usage

The custom is no longer in use.

Only one battalion scheduled the use of a learning center.

tt. "**Visibility**." Webster's Third New International Dictionary defines "visibility" as "the quality or state of being visible," "the degree or extent to which something is visible," "capability of being readily noticed." "Visibility" therefore. is something that is (...program has high visibility), not something that an individual or activity does (... does not have visibility over the program). To discuss something that an individual or activity does, use terms such as "does not control," "have oversight of," "keep close watch over," "closely supervise" -- if that's what you mean.

uu. "**Where," "When**." "Where" indicates place; "when" indicates time. The two words should not be interchanged. The incorrect use of "where" is likely to occur in sentences containing unnecessary words like "in instances" and "in cases."

. . . should be shipped to a depot where such facilities are available.

When funds are available, they may be used for financing the requirements.

NOTE: "Where" and "when" should not be used to introduce definitions or explanations.

Unit integrity is the assignment of only one unit to a barracks.

Not: Unit integrity is when only one unit is assigned to a barracks.

vv. "**Whether," "If."** "Whether" is preferred when an alternative is stated or implied, but "if" is acceptable. "If" should be used to introduce a condition.

Specific objectives were to determine whether (or "if"). . .

If a survey were made to evaluate. . .

8. **ABSOLUTES**. Words that allow no variation or exception, such as "all," "always," "every," "never" and "none," should be used sparingly in audit reports. Most of the time these words can be omitted, especially the word "always" in a sentence such as this one:

Materiel requests submitted by the subordinate command did not always represent valid FY 82 needs.

This type of statement can lead the reader to conclude that command's actions were measured against a standard of perfection. Rarely, if ever, is such a standard used in our audits. When this type of statement is in a topic sentence, the word "always" is not needed. The discussion that follows the topic sentence should provide the reader the universe audited and the scope of the problem. In some instances, however, it may not be appropriate to simply delete the word "always" without adding another qualifier. A word such as "frequently," "often," or "sometimes" maybe used to allay the perception that command never accomplished an indicated action or that an action never met standards. For example:

Materiel requests submitted by the subordinate command often did not represent valid FY 82 needs.

The word "always" is not needed in sentences in Finding paragraphs or in sentences supporting conclusions in Part I. If qualification is believed necessary in those sentences, include a brief description of the extent of the problem. For example:

About 25 percent of the materiel requests did not represent valid FY 82 needs.

Words such as "all" or "none" should be used only with a carefully limited universe.

None of the 20 vouchers reviewed were signed.

9. **HEDGING**. According to the dictionary, "hedging" means "to avoid committing oneself, as by making cautious or ambiguous statements." Ambiguous statements, of course, have no place in audit reports. But cautious ones are sometimes necessary. Too many, however, suggest an indecisive writer. Most cautious statements in audit reports contain words such as "seems," "appears," "possibly," "generally," "usually" and "normally." Use these words only when necessary.

10. **APPROXIMATIONS.** Approximations should be avoided as much as possible. Instead of writing "many times," "numerous times," or "several instances," tell the reader how

many times or instances.

11. **ADJECTIVES.** Adjectives such as these should be closely followed by clarification because they mean different things to different people:

adequate	minor
inadequate	prompt
major	significant

12. **ABSTRACT AND GENERAL WORDS**. Sometimes we must use abstract words (words stating qualities, ideas or anything else with no material substance) and general words (words standing for a large class of things), but often we use them unnecessarily. Replace them with concrete and specific words whenever possible. For example:

Instead of:	Try:
communicate	write, speak, telephone
components	parts (or, better yet, the specific part)
conveyance	automobile, truck
documentation	signed record, voucher
emergency	flood, riot, time of war
equipment	gun (or, better yet, M-16 rifle)
evidence	record book, file
facility	building (the kind, if possible)
periodically	weekly, monthly
prompt	within 30 days
undertake the project	repair the barracks

13. **SIMPLER WORDS AND PHRASES**. Whenever possible, use simple and fresh words and replace wordy phrases with a word or two.

Instead of:	Try:
accessions	enlistees
accomplish	do, carry out
accorded	given
accordingly	therefore, thus
accurate	correct, exact, right
activate	start, begin
additional	added, more, other, extra

address	cover, discuss
adjust	revise, change
administer	direct, conduct
advise	tell, say, write, inform (reserve "advise" for "give advice to.)
affect	influence, concern, change
afford an opportunity	allow, let
allocate	divide, give
along the lines of	like
alternative	choice (See Troublesome Words.)
an additional	another
and/or("slash" combinations in general)	or . . . , or both
apparent	clear, plain
applicable	appropriate, relevant
appraise	estimate, evaluate (See Troublesome Words.)
approximately	about
as a result of	because, therefore
as per	according to, through, by
as stated above	(delete if possible)
ascertain	discover, find out, learn
assist	help, aid
assistance	aid, help, support
at a later date	later
at some point in time	when
at that time	then
at the end of the year	at yearend
at the present time	now, currently (Even these words can be omitted when the verb indicates present time.)
authorize	permit
available	present, on hand, stocked

be in a position to	can
by means of	by, through
category	class, group
cite	point out, mention, list
cognizant	proper, appropriate
comply with	follow
conclude	finish, end
conducted	made
conform	made agree (with)
consequence	result
consolidate	merge, combine, join
constitute	make up form, include
contain	has (or often can be deleted)
contribute	give
coordinate (with)	notify, work with
criterion	standard, rule
deem	believe, consider, think
deficiency	lack, defect, shortage
delegate	assign
designate	appoint, name
despite the fact that	although, though
disclosed	showed (See Troublesome Words.)
disseminate	send out, issue, announce
document	support
downward adjustment	decrease
due to the fact that	due to, because, since
during the audit	(usually can be deleted)
during the course of	during
during the past several months	recently

during the period 1 April 1988 to 1 August 1988	from 1 April to 1 August'1988
during the period when	when
during the time that	while
effect (as a noun)	result, outcome
effect (as a verb)	cause, bring about, produce
enable	allow, permit
enhance	improve, make better
equitable	fair
evidenced	showed
established	recognized, accepted
examine	look at
excess of	more than, beyond
expertise	skill, knowledge, ability
facilitate	help, ease, make easier, aid
factor	reason, cause, element, part
feasible	workable, can be done
feedback	information
finalize	complete, finish
firstly	first
for the most part	mainly
for the purpose of	to, for
for this reason	so
forward	sent
functional	workable, useful
generate	produce, cause
impact (as a noun)	effect, influence
impact (as a verb)	affect, change, influence unless the meaning is to force closely together

implement	do, carry out, follow
in a timely manner	on time, promptly (See Troublesome Words.)
in accordance with	by, under
in advance of	before
in excess of	more than
in lieu of	instead of
in order that	so that, for
in order to	to
in our opinion	we believe
in regard to	about
in the case of	(delete)
in the case where, when	where, when
in the course of	during
in the event that	if
in the meantime	meanwhile
in the month of	in
in the near future	soon
in the past	previously
in view of the above	so, therefore
inasmuch as	since, because
indicate	show, tell, state, stand for (Use "indicate" only when making an inference or dealing in probabilities.)
inform	tell
initiate	begin, start, set up
input (as a noun)	facts, data, information
input (as a verb)	enter, unless referring to entering data into a computer or a data processing system
inquire	ask
interface with	meet or work with
is considered to be	is

it appears that, it is apparent that	apparently
it is clear that	(delete)
it must also be noted that	also, in addition (or delete)
justify	support
justification	reason
knowledgeable	informed
maintain	support, keep
maximize	increase as much as possible, make the most of
maximum	greatest, largest, most
methodology	method
minimal	the least possible
minimize	reduce or decrease as much as possible
minimum	Least, smallest
modification	Change
necessitate	Require, cause
nonrecurring	one-time
normally	usually
numerous	many
objective	aim, goal
observe	see
obtain	get
on a continuous basis	continually
on a permanent basis	permanently
on the grounds that	because, since
ongoing	continuing
optimum	best, greatest, most
our review disclosed that	we found (if needed)

parameters	limits (See Troublesome Words.)
participate	take part
perform	do, review, make
periodically	sometimes, frequently, or better yet, weekly, monthly (See Abstract and General Words.)
pertain	belong, apply
pertaining to	abut
phase out	eliminate
posted	entered
preclude	prevent, hinder, stop
prioritize	rank, give priority to, set priorities for
probability	chance
proceed	do, go, continue, try
procure	acquire, obtain, get, buy, purchase (except for the budgetary process)
procurement	acquisition
prior to	before
provide	furnish, supply, give, offer, send
provided input to	contributed or responded to, commented on
provided that	if
purchase	buy
request	ask
require	need, call for, direct
requirement	need, standard
revealed	showed (See Troublesome Words.)
subsequent	later
subsequent to	after, since
subsequently	later
subsistence	food
tasked	gave responsibility to (or for)

terminate	end, complete, finish
the audit showed that	(usually can be deleted)
the fact that	(usually can be deleted)
through the use of	by using
timely (as an adjective)	prompt
to a large extent	mainly
undertake	attempt, try
until such time as	until
up to now	formerly
up to this time	before
upon	on
validate	confirm
viable	workable, practical
vital	serious, important
warrant	permit, call for
we noted	(usually can be deleted.)
were found to be	were
whether or not	"whether" is usually enough
with reference to	about
with respect to	about
with the exception of	excluding, except for
with the result that	so that
within the framework of	within
without	right away, now, immediately

APPENDIX B

SPELLING AND WORD COMBINATIONS

This section contains general rules for combining words and a list showing word combinations, words frequently misspelled or causing uncertainty, and preferred forms of words with different spellings.

1. General Rules for Combining Words

a. Make a solid word of the root word and most common prefixes, suffixes and combining forms. The prefixes "ex" and "quasi" are the exceptions. "Ex" is usually and "quasi.", is always joined to the root word by a hyphen.

bimonthly	misstate	semiannual
clockwise	multicolor	unnecessary
cooperation	preexisting	ex-soldier
deemphasized	recover	quasi-scientific
incoming	reenact	
innermost	reevaluate	

NOTE: See paragraph lp in this appendix for other exceptions.

b. With the prefixes "anti," "micro" and "semi" use a hyphen to avoid doubling the vowel.

micro-organism	anti-inflation	semi-independent

c. Use a hyphen to join a prefix or a combining form to a capitalized word or a number.

mid-June	non-federal	pre-1982

d. Use a hyphen between duplicated prefixes.

re-redirect

e. Omit the hyphen in a unit modifier (adjective preceding the word it modifies) enclosed in quotation marks unless it is normally a hyphenated term.

"land use" program "trade-in" procedures

f. Do not combine a two-word unit modifier if the first word of the modifier is comparative or a superlative.

higher level decision

upper grade list
highest price contract
but higher-than-market price
lowercase, uppercase type

g. Do not combine a two-word unit modifier if the first word of the modifier is an adverb ending in "ly" " nor combine a three-word unit modifier if the first two words are adverbs.

regularly scheduled reviews
fully supported decision
longer than usual lunch period
not too distant future

h. Use a hyphen in a unit modifier "adjective preceding the word it modifies" with a present or past participle as the second element. Omit the hyphen when the adjective follows the word it modified (predicate adjective).

Far-reaching decision	The decision was far reaching.
fire-tested material	The material was fire tested.
oil-bearing shale	The shale was oil bearing.

i. Use a hyphen in a unit modifier with a numerical first element.

5-day week
two-sided question
1/2-inch pipe
.22-caliber cartridge
3-to-l ratio
20th-century progress
but $29 million airfield

j. Do not use a hyphen with a modifier consisting of a possessive noun preceded by a numeral.

1 month's pay
2 hours' work
5 hours' travel time

k. When two or more hyphenated words or figures modify a common basic element that is shown only with the last word or figure, use a hyphen after each word in the series.

2-, 3-, and 4-ton trucks
2- by 4-inch car, but 2 to 4 inches wide
long- and short-range plans

1. When prefixes that are combined solidly with root words are shown in a series, make sure that each prefix in the series is combined with the root word.

overobligated and underobligated (not over (or over-) and underobligated)

m. In tables, when a modifier follows the word or words modified, use a hyphen.

motor, alternating-current, 3-phase, 60-cycle
glass jars: 5-gallon, l-quart

n. Hyphenate the verb when the corresponding noun and adjective are written as separate words.

a blue pencil	blue-penciled
a back order	back-ordered

o. Use a hyphen or hyphens in an improvised or made-up compound.

high-level decision
to rubber-stamp an action
on a first-come-first-served basis

p. Use a hyphen or hyphens to avoid ambiguity, prevent mispronunciation, or ensure a definite accent on each element of a compound.

non-mission-essential projects
non-combat-essential repair parts
re-cover (cover again)
re-form (form again)
re-sort (sort again)
re-treat (treat again)

q. Use a hyphen to join a single capital letter to a noun or a participle.

T-shaped
but X ray

2. List of Preferred and Difficult Spellings and Word Combinations. In this list these abbreviations indicate function: "adj." (adjective), "adv." (adverb), "c.f." (combining form), "n." (noun), "pref." (prefix), "u.m." (unit modifier (adjective preceding the word it modifies)), and "v. " (verb). The abbreviations "s." and "pl." stand for "singular" and "plural."

NOTE: Sometimes a report must include a title or quote that has a word combined differently from the way it is shown in this list. For consistency, the word combination shown in the title or quote may be used throughout that report. In addition, for consistency, words that have different forms when they appear separately may be made uniform when in juxtaposition by showing them as two words. For example, "database" and "data bank" are correct when used separately. In juxtaposition they may be

"data base" and "data bank."

A B C D E F G H I J/K L M N O P Q R S T U/V W X Y

APPENDIX C
CAPITALIZATION

1. **GENERAL**. The purpose of capitalization is to give distinction, importance and emphasis to words. If too many words are capitalized, none will stand out. Therefore, do not capitalize when in doubt.

2. **WORDS CAPITALIZED**. Capitalize:

a. These words:

(1) Army

U.S. Army	Army service
the Army	Regular Army
Army officer	Army (or DA) Staff
Active Army	Army Establishment
Army brigade	All-Volunteer Army
Army civilian	the Infantry, but an
Army Forces	infantry company

(2) Congress

United States (or U.S.) Congress, Congress
acts of Congress
the House, the Senate
Second Congressional District
20th Congressional District
but a congressional district, action or committee

(3) Department of Defense

Armed Forces, but armed services
Military Establishment, Military Services
but Secretaries of the military departments
U.S. Forces

(4) Federal (synonym for United States)

Federal Government
Federal organization
but a federal form of government (type of government), federally

(5) Government

U.S. Government
National Government
Government Printing Office
but government (all levels); Federal, State and local governments, governmental

(6) Reserve

the Reserve	U.S. Army Reserve
Reserve officer	Ready Reserve
Reserve Components	

but a soldier (in the
Reserve, if needed)

(7) Service (if referring to Federal unit)

Internal Revenue Service
the Services (standing for Army, Navy, Air Force and
Marines) but Army service, diplomatic service
Joint Services

(8) State

a State, the States (referring to 1 or all of the 50
States)
Southern States, Pacific Coast States, New York State
State law or government, States rights
but statehood, statehouse, statewide, a foreign state,
state of the Union message

(9) Commonwealth

the Commonwealth of Pennsylvania (or Kentucky, Virginia,
Massachusetts)

b. Titles that indicate preeminence. Note that "the" is capitalized only when part of an official title at the DA level.

The Auditor General	President of the United States
The Adjutant General	Presidential assistant
but the State adjutant general	Secretary of the Army
The Inspector General	Under Secretary of the Army
The Surgeon General	Joint Chiefs of Staff
The Judge Advocate General	Chief of Staff
Comptroller of the Army	Vice Chief of Staff
Chief of Engineers	Commander in Chief

c. Headings of, and references to, sections of Agency reports. Also capitalize references to specific recommendations and findings.

the Annex	the Letter of Transmittal
Annex A	Part I, Part II, Part III
Finding B	Recommendation A-1
Exhibit A	but the recommendation, the finding

d. Nouns used with a date, number or letter as part of official titles of acts, laws, publication series or similar documents. (Also see paragraph 3f.)

Circular A Public Law 89-1
Article 15: Uniform Code of Military Justice
United States Code; but title 10, United States Code,
section 5912

e. The complete proper name, or a shortened form replacing the complete name and carrying its full significance, of things such as appropriations, programs, plans, systems and reports. But a common noun

used alone as a substitute for the complete proper name is not capitalized.

Army Force Development Plan,
the Development Plan (shortened form), but the plan
Army Industrial Fund, but the fund
Army Management Information Program
Army Master Data File
Army Stock Fund
Army Training and Evaluation Program, but Army training program
Civil Service Retirement and Disability Fund, but Civil Service retirement, Civil Service regulation
Continuity of Operations Plan
Medical Facilities Equipment Program, the Equipment Program (shortened form), but the program
Morale Support Fund
Operation and Maintenance, Army Appropriation, but the appropriation
Operation and Maintenance, Army funds but operation and maintenance funds
Other Procurement, Army Appropriation
Standard Financial System
Synthetic Flight Training System, Flight Training System (shortened form), but the system

f. The complete proper name, or a shortened form replacing the complete name and carrying its full significance, of organized bodies. A common noun used alone as a substitute for the complete proper name is capitalized only when specified to indicate preeminence or distinction.

Army Systems Acquisition Review Council,
Acquisition Review Council (shortened form), but the council
Corps of Engineers, the Engineers, Army Engineers, the Corps
Directorate of Facilities Engineering, but the directorate
Family Housing Division, but the division
Federal Reserve System, the System
Forces Command, but the command, command
Government Printing Office, the Printing Office, the Office
Supreme Court, the Court
Treasury of the United States, the Treasury
U.S. Army Finance and Accounting Center, but the center

3. **WORDS NOT CAPITALIZED**. Do not capitalize:

a. These words:

bill of lading
blanket purchase agreement
foreign military sales
memorandum of agreement (or understanding)
military occupational specialty
table of distribution and allowances
modification table of
organization and equipment
national inventory control point
national stock number
production schedule
request for proposal
standing operating procedure
system change request

b. Military titles or titles describing a person's occupation or

function, unless part of a proper name.

commander, Army commander, but the Commander, Fort Hood
commanding officer
commissary officer
comptroller
contracting officer
contracting officer's representative
control officer
district engineer
facilities engineer
finance officer
fund certification officer
Headquarters director, but Director, Audit Policy, Plans and Resources
logistics personnel maintenance technician
property book officer
regional auditor general, but Regional Auditor General, East Central Region

c. A type of program, plan, system, fund, report, and so forth.

Army management information system
Army training test
family housing management account
Federal supply schedule
foreign military sales program
materiel readiness report
missile system
official military personnel file
operational capability plan
operational readiness training program
personnel status report
report of survey
revolving fund
tactical fire direction system

d. A type of military unit or element, unless part of a complete proper name or a shortened form replacing the complete proper name and carrying its full significance.

ammunition branch
area maintenance support activity
battalion, but 548th Engineer Battalion, the 548th Battalion (shortened form)
battery
central issue facility
civilian pay branch, but Seoul Civilian Pay Branch
civilian personnel office
club system
command
commissary
company, but B Company
corps
directorate, but Directorate of Facilities Engineering,

Engineering Directorate (shortened form)
district
division, but 8th Division
finance office, but Fort Monroe Finance and Accounting Office
headquarters, but Agency (meaning "U.S. Army Audit Agency")
Headquarters; Headquarters, Fifth U.S. Army
inspection section
installation supply division
materiel release board
medical treatment facility
noncommissioned officers' club, the noncommissioned officers' club at Fort Riley
officers' club, but Fort Campbell Officers' Club
organizational maintenance shop
package beverage branch
property control section
purchasing office

e. General categories of Army publications.

commanders manuals	Army regulations
technical bulletins	DA pamphlets, but DA Pamphlet 310-20

f. Common nouns used with a date, number or letter merely to denote sequence or time, or for the purpose of reference, record or temporary convenience. (Also see paragraph 2d.)

chapter III	enclosure 1
seventh annual report	section 3
page 2	act of 1982
paragraph 4	schedule 3
chart B	volume III
column 1	

4. **TITLES AND HEADINGS**. In titles and headings that are in capital and lowercase letters:

a. Capitalize:

(1) The first letter of all principal words, including parts of compounds that would be capitalized standing alone.

On-Post Activities
Supervision and Control of the Workforce

(2) These words:

After	Between
Before	With
Near	From
Than	To, when part of an infinitive (Controls To Be Used)

b. Do not capitalize:

- The articles "a," "an" and "the."

- The prepositions "at," "by," "for," "in," "of," "on," "up" and "to.''
- The conjunctions ''and," "as," "but," "if," "or" and ''nor.'

Use of the Information Accountability at the Package Beverage Stores Reporting Time and Attendance

Exceptions:

(1) If a normally lowercased word (such as the preposition "for") is the last and only lowercased word in a title or heading, it should be capitalized.

Recommended Actions For: (not "for")

(2) If a normally lowercased word (such as the preposition "in") is used in juxtaposition with a capitalized word of like significance, it should also be capitalized.

Buildings In and Near Washington

c. Do not capitalize the second element of a compound number.

One-tenth of Shipping
but Use of 2-Inch Pipe (The "2-Inch" is not a compound number. It is a compound modifier containing a number.)

APPENDIX D
ACRONYMS AND ABBREVIATIONS

1. **APPROVED FOR USE**

a. Only seven acronyms and abbreviations may be used in the text of Agency audit reports. Only the abbreviations " DC" and "U.S." may be used in the Letter of Transmittal.

AR, CONUS, DA, DOD, FY, DC (when used in the combined form Washington, DC), and U.S. (when used in a combined form such as U.S. Army Recruiting Command)

The full names need not be written out before these acronyms and abbreviations are used.

NOTE: Although the abbreviation "U.S." may be used in a combined form (that is, as a unit modifier), some official or legal titles use "United States" instead of "U.S."

United States Code (official title)

b. The full names of the seven acronyms and abbreviations (Department of the Army, for example) may be used, if preferred. But be consistent: either use the acronym or abbreviation or use the full name throughout the report.

c. You may use other acronyms and abbreviations in:

- A schedule or table if full names would clutter the presentation. Explain any acronyms or abbreviations you use immediately after the schedule or table.

- Legal citations. See Appendix J for those you may use.

2. **STATES AND MONTHS**. Names of States and months (followed by the four digits of the applicable year) should be written in full in the text of reports and the addressee and date parts of Letters of Transmittal and Memorandum reports.

Richmond, Virginia, not Richmond, VA
March 1982, not March 82, Mar. 82 or Mar. 1982

3. **FISCAL YEAR**. If "FY" is used, only the last two digits of the year should follow (FY 81). If "fiscal year" is used, all four digits should follow (fiscal year 1981).

4. **UNITS OF MEASURE AND SYMBOLS**. Units of measure may be abbreviated and symbols may be used in a schedule or table of information, but

they should be written out in the text. In the text use:

2 inches, not 2 in. or 2"	30 millimeters, not 30mm
3 percent, not 3%	3 feet, not 3 ft. or 3'

APPENDIX E
NUMBERS

1. ROUNDED AND ESTIMATED

a. **Extent**. Round numbers to one decimal place (about $1.1 million, not about $1.09 million). Round numbers in financial statements to the nearest dollar amount ($4,240, not $4239.59).

b. **Modifiers**. Use an appropriate modifier such as "about" for rounded or estimated numbers. Other modifiers such as "nearly," "more than," "at least," "up to," "over" and "approximately" may also be used in appropriate circumstances.

(1) Different modifiers are encouraged when a rounded or estimated number is used several times, provided the modifiers are synonymous. Modifiers such as "nearly," "more than" or "at least" are not synonymous with "about."

(2) Consistency is important in showing modifiers with rounded or estimated numbers. For example, if "about $2 million" is used in a finding, "about $2 million" (not "$2 million") must be used in discussing the same amount in Part I.

2. FIGURES AND WRITTEN OUT

a. **Measurement, Time and Money**. Write units of measurement, time and money (actual or implied) as follows:

(1) Dates:

21 April 1982
June 1981 (not June, 1981)
1 March to 15 April 1982 (not 1 March 1982 to 15 April 1982)
March and April 1982
the 1st (day) of the month, but the first (part) of May (not referring to specific days)
from 2 to 10 November 1983 (not from 2-10 November 1983)

For consecutive years or a continuous period of 2 years or more:

from fiscal year 1987 to fiscal year 1988, from FY 87 to FY 88

from 1979 to 1983 (not from 1979 to 83 or from 1979-83)

1979 to 1983, inclusive (not 1979 to 83, inclusive or 1979-83, inclusive)

1979 through 1983
fiscal years 1982-83, FYs 82-83, FYs 82 and 83, FY 82 and FY 83
1982-83, 1982 and 1983

For two or more separate years not representing a continuous period:

1979 and 1983
1979, 1983 (useful in tables)

(2) Money

$3.25	$300,000 (not $300 thousand)
$0~75 or 75 cents	$1,000 (not a thousand dollars)
$2 (not $2.00)	

(3) Clock Time:

9:30 a.m.	1 p.m. (not 1:00 p.m.)
0930	1300 (not 1300 hours)

(4) Mathematical Expressions:

multiplied by 3	divided by 10

(5) Proportion:

4-to-1 mixture	3-to-1 ratio	1 to 3

(6) Measurement:

8 by 12 inches	1 gallon	two dozen	three-ply
6 miles	fourfold	15 cubic yards	zero miles
200 horsepower	one gross		

(7) Percentage:

12 percent	25.2 percent or	one-half of 1 percent,
25.2 percent	5 percentage points	or 0.5 percent

(8) Time:

10 years 3 months 29 days (no commas)
6 hours 35 minutes (no commas)
three quarters meaning 9 months)

3 fiscal years	statistics of any one year
6 hours	in a year or two
8 days	first quarter FY 83
three decades	the 1980's (not the 80's)
7 minutes	one-half hour

NOTE: In discussing a particular but indefinite time, use a word rather than a figure.

The ending inventory of <u>one month</u> sometimes did not equal the beginning

balance for the next month.

(9) 1 Age:

15 years old	1 to 3 years old
1 month old	3 years 4 months 6 days(no commas)

(10) Unit Modifiers:

two-story house	8- by 12-inch page
5-day week	multimillion-dollar fund
five-man board	.22-caliber cartridge
2 ½-ton truck	$20 million airfield
5-foot-wide entrance	a 3-percent increase
½-inch pipe	4 percent interest (Note the absence of an article: "a," "an," or "the." The word "of" is implied.)
14-month period	

(11) Reversed Modifiers (in tables):

white bond, 17- by 22-inch
computer paper, five-part

(12) Decimals: In text use a cipher before a decimal point if there is no unit, but omit a cipher after a decimal point unless indicating exact measurement.

0.25 inch; but	.30 caliber (meaning 0.30 inch bore of small arms); 30 calibers (length)
1.25 inches	
gauge height 10.0 feet	

b. **Whole Numbers**. In sentences write out whole numbers under 10 and use figures for whole numbers of 10 or more. Since consistency is important, if a sentence contains a figure of 10 or more, then use figures for all whole numbers in that sentence.

The list contained only four names.
Each of the 15 major commodities was . . . .
The three charts showed that five of the nine items were . . .
The 3 charts showed that 5 of the 10 items were . . .

EXCEPTION: A unit of measurement, time or money (see paragraph 2a) that is always expressed in figures does not affect whole numbers under 10 that are usually written as words. Notice the difference this rule makes in these sentences:

Units were located as far as 125 miles from the five organizational maintenance shops that supported them.

This job will require from two to three people and about 4 to 5 hours.

This job will require from 2 to 10 people and about 4 to 5 hours.

(1) If a whole number is used as the first word of a sentence, related numbers appearing near it (separated by no more than three words) must also be expressed in words. Therefore, whenever possible, rephrase sentences to avoid beginning with a number.

Not: Eight to ten soldiers will be required for the job.
Revised: The job will require 8 to 10 soldiers.

(2) Do not repeat written-out numbers in figures.

Not: eight (8) times as large
Revised: eight times as large

c. **Numbers and Compound Modifiers**. Use words for numbers of less than 100 when they precede a compound modifier containing a number (word or figure).

two ¾-inch boards	three six-room houses
thirty 6-inch guns	120 8-inch boards

d. **Large Numbers**. Write large numbers as follows:

$150 billion	about 21 to 99 million
$5 million	from $450,000 to $1 million
2.7 million	500,000 (not 500 thousand)

less than $1 million (not less than a million dollars)
three-quarters of a billion dollars
$1,000 (not a thousand dollars)
$1.3 billion (not $1,332 million)

e. **Fractions.** Use words for fractions standing alone or fractions followed by "of," "of an" or "of the." Use figures for fractions in a unit modifier (adjective preceding the word it modifies) or fractions and whole numbers used together.

½-inch pipe	one-third
5 3/4 cans	one-tenth
2 1/2 times	one-half of the building
1/4 to 1 ¾ pages	seven-tenths of 1 percent
	one-half inch (or half an inch)
	three-fourths or three-quarters of an inch(not 3/4 inch nor 3/4 of an inch)

f. **Indefinite Expressions**. Use words for indefinite expressions.

the eighties, the early (or middle) eighties
tenfold, twofold or threefold (not two or threefold)
(See General Rules for Combining Words. - Appendix B)
but 3 ½-fold
1 to 3 million
mid-1982, the 1980's, the early (or middle) 1980's, mideighties

40-plus people

NOTE: Use of a word such as "nearly" or "about'' with a number does not make the number indefinite.

early 10	about 20,000

g. **Ordinals**

(1) In the text and footnotes to the text, use figures for ordinal numbers beginning with "10th."

the first time	20th century
third quarter	12th level
ninth line	82d Congress
second region	

NOTE: When ordinal numbers are juxtaposed and one of them is "lOth" or more, use a figure for any ordinal number under 10.

1st session of the 92d Congress
8th, 9th and 10th times
3d to 12th level

(2) 0 In tables, charts and schedules, as well as in their footnotes, use figures for all ordinal numbers.

(3) In referring to ordinal numbers of military units:

(a) Write out the ordinal designation of Armies and Army areas.

Fifth U.S. Army
Seventh Region

(b) Use Roman numerals for corps.

(c) Use Arabic numerals for divisions and smaller units.

2d Infantry Division (not 2nd)
43d Ordnance Company (not 43rd)

3. **TABLES, CHARTS AND SCHEDULES**

a. Dollar Sign

(1) If a total is shown for dollar amounts, use a dollar sign in front of the first figures in the column and at the subtotal and total lines.

	Community Club Branch	Package Beverage Branch
Advances to Administrative Support Branch	$141,461	0
Advances to Package Beverage Branch	31,507	0
Advances to Central Accounting Office	9,377	$ 1,781

Advances to Civilian Personnel Office	3,079	235
Sinking Fund for Replacement of Fixed Assets	74,395	6,826
Payroll Advances	49,840	7,668
Total	S309,659	$16,510

(2) If no total is shown for dollar amounts, use a dollar sign in front of the first figure in the column.

Description of Work	Hours	Labor Costs
Replace fuse.	4	$54
Unstop commode.	1	14
Reset circuit breaker.	1	13
Replace window latch.	1	13
Repair faucet leak.	1	14

b. **Percentage Sign**. Do not use a percentage sign (I) after figures in a column titled "percent" or "percentage."

	Performance Effectiveness Range (Percentage)	
Task	Low	High
Operate press drill.	28	67
Manufacture 20-inch chute.	58	97
Break down motor.	17	99

c. **Percentage Column**. Do not use a total line for a percentage column when figures in the column do not total 100 percent.

	Total Time	Direct Time		Overhead	
Directorate	(Hours)	Hours	Percent	Hours	Percent
Design	151,000	61,000	40	90,000	60
Support	173,000	10,000	6	163,000	94
Command	4,000	0	0	4,000	100
Total	328,000	71,000	22	257,000	73

APPENDIX F
BREVITY

1. **GENERAL.** The complex information in audit reports must be discussed in as few words as possible. Readers should not have to maneuver through a verbal obstacle course of unnecessary words and roundabout sentence constructions to understand the information.

2. **UNNECESSARY REPETITION**

a. **Lengthy Titles**. Avoid repeating lengthy titles of such things as commands, programs, and systems. Unless clarity will be affected, after first using the full title in each part of a report, substitute a word or short phrase for a long title. (See requirements in paragraph 7f(2), USAAA Regulation 36-53.)

b. **Defining Modifiers**. Unless clarity will be affected, once a person, place or thing has been identified, do not repeat defining modifiers.

Not: Terminal activity security officers should monitor the use of passwords. Terminal activity security officers should make sure that . . . .

Revised: Terminal activity security officers should monitor . . . The officers (or "they".) should . . . .

c. **Meanings and Ideas**. Do not repeat meanings or ideas in other words. This problem results from not considering the meaning or scope of a word. These examples should increase your sensitivity to the problem.

Not: In addition, command also . . . . (Use one or the other, not both.)

Revised: In addition, command . . . . (or) Command also . . . .

Not: The report showed that the problem continued to remain unsolved. ("Remain" conveys the idea of continuing.)

Revised: The report showed that the problem remained unsolved.

This list shows some other examples.

Example	Discussion
adequate enough	"Adequate" means "enough."
at the present time	Omit when the verb indicates present time.

basic fundamentals	Use "fundamentals"; they are basic.
brief in duration	Use "brief" alone; it expresses the idea of duration.
close proximity	Use "close to," "next to"; proximity means "closeness."
combine together	Omit "together." There is no other way to "combine."
consensus of opinion	Use "consensus"; the word means a collective opinion.
consequent results	Use "results." They are consequential.
(four) different kinds	Use "four kinds"; "kinds" implies differences.
during the period(1 October to 1 November 1983)	Use "from 1 October to 1 November 1983."
end or final result	Use "result" alone unless you need to distinguish an interim result.
equally as good as	Use "as good as" or "equally good"; they mean the same thing.
few in number	Use "few." The word means amounting to or consisting of a small number."
final outcome	Omit "final." Whatever is the outcome is final.
for example . . . .etc. or such as . . . .etc. (for a series)	Use "for example" or "such as" to introduce a series. They tell the reader that the series is not complete. Omit "etc."; it tells the reader the same thing.
important essentials	Use "essentials".; they are important
in the amount of $3 million	Use the figure alone.
in the range of 10 to 20 million	Use "10 to 20 million".; it is a range.
join together	The meaning of "join" includes "together."
larger size (room), smaller size (room)	Use "larger room" or "smaller room" they clearly indicate size.
long (or short) period of time	Use "long (or short) time."
make a concerted effort to	Use "try..
minimize as much as possible	Use "minimize"; or even better, use "reduce," "decrease" or "lessen..

minimum (or maximum) possible	Use "minimum" (or "maximum"). The word means "least (or most) possible quantity or degree..
more preferable	Omit "more"; "preferable" means"more desirable or worthy."
past experience or past history	"Experience" and "history" come from the past. Use those words alone.
(a 6-month) period of time	Use "6 months."
plan ahead, plan in advance	Use "plan"; the word implies the future.
reason is because	Use "reason is that" or "because."
resultant effect	Use "effect"; it is a result.
seems apparent	Use one or the other.
still continue	Use "continue."
studied and analyzed	If something is "analyzed," it would have to be "studied." (Check the meanings of paired words. If the meanings are close, delete the weaker word.)
until such time as	until

NOTE: Expressions such as "shown (or listed) below," "as follows," and "the following" are redundant when used with a colon to introduce a series of items. The colon signals that something will follow.

Review of the two schedules showed (omit "the following"):

-The priority 1 schedule . . . .

-The priority 2 schedule . . . .

3. **WEAKENED VERBS**. Avoid using weakened verbs (general verbs of little meaning like "take or give" used with other words to convey the meaning of a specific verb). Note in these examples how several words are needed to do the work of one.

Not: Command <u>did not make adjustments to</u> worksheets.
Revised: Command <u>did not adjust</u> . . . .

Not: Command practices <u>were inconsistent for distribution of</u> engineering funds.
Revised: Command <u>distributed</u> engineering funds <u>inconsistently.</u>

This list contains other examples of weakened verbs.

Weakened Verb	Replacement
analyses were made	analyzed
(is) applicable to	applies
are of the opinion that	think that or believe that
arrived at a decision	decided
gave an indication of	indicated
made an examination of	examined
made a study of	studied
performed an examination of	examined
take action to	(avoid if possible)
take into consideration	consider
undertake a study of	study
were found to be in agreement	agreed
were in receipt of	received
will be required to	must

4. **"OF."** The preposition "of" is often unnecessary. Watch for 'of" when it follows:

The words "all," "inside," "outside," "off," "out," or "alongside." Usually the "of" can be deleted.

all (of) the property
out (of) the window
outside (of) the building

Nouns ending in "ment" or "tion." Usually the "of" can be deleted by changing the noun to a verb form ending in "ing."

Progress has been made toward establishing . . . .
(instead of "toward the establishment of")

NOTE: Also see Verb and Preposition Omissions.

5. **ROUNDABOUT CONSTRUCTIONS**. Roundabout constructions waste a reader's time and weaken our writing by burying our point in a mass of unnecessary words. Watch for and revise:

Sentences that begin with unnecessary introductions such as "in the case of," "it appears that," "the fact that," "there is," "with regard to," and "in regard to."

Not: <u>In regard to the records that pertained to</u> the system, they showed that the contractor had repaired the alarms on numerous occasions.
Revised: The system <u>records showed</u> that the

contractor had frequently repaired the alarms.

Not: The fact that the instructions were incomplete caused the delay.

Revised: The incomplete instructions caused the delay.

Not: In discussions with command personnel, it was disclosed that . . . .
Revised: Command personnel stated . . . . (or) Command personnel told us . . . .

Indirect constructions that state the existence or importance of a subject in one sentence and the principal thought in the next sentence.

Not: A maintenance and repair project is described in AR XXX-XX. The regulation states that a maintenance and repair project is . . . .
Revised: According to AR XXX-XX, a maintenance and repair project is . . . .

Not: There were three causes that produced poor morale in the division. They were . . . .Revised: The three causes of the poor morale in the division were . . . .

Pretentious, formal-sounding writing; it often contains roundabout constructions.

Not: The depot's mission is to accomplish all phases of reconditioning. repair, and modification functions related to vehicles, fire control materiel, artillery, small arms, and automotive secondary items.
Revised: The depot's mission is to recondition, repair and modify vehicles, fire control materiel, artillery, small arms, and automotive secondary items.

Not: It must also be noted that our presurvey did not address the accuracy of pay entitlements except those relating to attendance at training assemblies.
Revised: Our presurvey determined only the accuracy of pay entitlements for attendance at training assemblies.

6 **"THAT, "WHICH" AND "WHO."** Unless they are needed for clarity, delete "that," "which" and "who" as well as the verbs following them in constructions such as these:

Not: The installation used appropriated funds to acquire equipment that was not authorized for use in . . . .
Revised:. . . to acquire equipment not authorized for use in . . . .

Not: The circumstances associated with each buy dictate the type of acquisition action that is appropriate .
Revised: The circumstances associated with each buy dictate the appropriate acquisition action.

7. **SELF-REFERENCES.** Delete unnecessary self-references.

Not: We reviewed 98 overtime requests for 2,789 hours of overtime in March 1982. Our review showed that none of the requests had been properly documented. Of the 98, we found that 7 did not include justifications and 81 had incomplete justifications.

Revised: We reviewed 98 overtime requests for 2,789 hours of overtime in March 1982. None of the requests had been properly documented. Of the 98 requests, 7 did not include justifications and 81 had incomplete justifications.

8. **WORDY PHRASES**. Check reports for wordy phrases (such as "at the present time," which can be replaced with the word "now"). A word or two can be substituted for some of these phrases; others can be deleted. (For examples of wordy phrases, see the list of Simpler Words and Phrases.)

9. **FOOTNOTES**. Footnotes should be used sparingly because they are distracting. Sometimes a footnote is necessary, however, and must be repeated on another page. If so, repeat the original footnote when it consists of a few words or when many pages intervene between the first and second use. To avoid repeating a long footnote, use a sentence such as "See footnote 2."

APPENDIX G
GRAMMAR AND SENTENCE STRUCTURE

1. **SUBJECT AND VERB AGREEMENT**. The subject of a sentence must agree in number with the predicate verb. Certain sentence constructions and certain types of subjects cause most of the difficulties in subject-verb agreement.

a. **Separated Subject and Verb**. In some sentences the subject is separated from the predicate verb by a phrase or other construction that introduces a noun or pronoun different in number from the subject. The verb agrees with the number of the subject and not with the number of the noun or pronoun in the intervening phrase or other construction.

Not: Materials for the building was shipped.
Revised: Materials for the building were shipped.

Not: The effective use of the machines require . . . .
Revised: The effective use of the machines requires . . . .

Especially check for agreement when several phrases separate the subject and the verb. To reduce the chance of error and make the sentence easier to read, put the verb as close as possible to the subject.

Not: Space usage surveys in sufficient depth to identify excessive space was not made.
Revised: Space usage surveys were not made in sufficient depth to . . . .
Better: Space usage was not sufficiently surveyed to . . . .

Not: Local guidance on computing reserves for contingencies were needed.
Revised: Local guidance was needed for computing . . . .

b. **Subjects Joined by "And**." When two or more subjects (whether singular, plural, or of different numbers) are joined by "and," they require a plural verb.

Not: The large difference between the two bids and the lack of bidders was an indication of problems in . . . .

Revised: The large difference . . . and the lack . . . were . . . .

NOTE: When a singular subject is preceded by two or more modifiers connected by "and" that mean two or more different things, a plural verb is required.

Medical and behavioral research are essential in developing data bases that can be used for incorporating . . . . (This sentence could be written in several other ways: "Medical research and behavioral research are . . . ." or "Two types of research-medical and behavioral-are . . . ")

The review was made to determine whether DA and major command guidance were applied correctly. (This sentence could be written in several other ways: ". . . whether DA guidance and major command guidance were . . . ." or ". . . whether both DA and major command guidance were . . . .")

There are two exceptions to the rule for subjects joined by "and":

(1) When singular subjects joined by "and" refer to the same person or thing or form a unit, the subject is singular and requires a singular verb.

Our ally and neighbor to the north (meaning "Canada") maintains (not "maintain") . . . .

The Stars and Stripes was flying overhead.

(2) When "each," "every," "many a" or "many an" precedes singular subjects joined by "and," the subject is considered singular and requires a singular verb.

Every directorate and division is (not "are") to send in a report.

NOTE: When "each" follows two or more singular subjects joined by "and" (or follows a plural subject), "each" has no effect on the number of the subject. The subject is plural and requires a plural verb.

The directorate and the division each are to . . . .
The directorates each are to . . . .

c. **Subjects Joined by "Or," ."Either . . . Or,". or "Neither**

. . . **Nor**." If singular subjects are joined by "or," "either . . . or," or "neither . . . nor," use them with a singular verb.

No major repair work or painting has been done since . .

If the connected subjects are plural, use them with a plural verb. If the subjects are both singular and plural, use the number of the subject nearest to the verb to determine the number of the verb. One way to avoid an awkward sentence is to put the plural subject next to the verb.

Neither the supervisor nor the employees were . . . .

d. **Singular Subject and Certain Expressions**. A singular subject is not affected when it is followed by phrases beginning with expressions such as "accompanied by," "along with," "as well as," "including," and "together with." These expressions do not have the force of "and." Use a singular verb with the singular subject.

Not: The storage cabinet, as well as the tapes and files, were . . . .
Revised: The storage cabinet, as well as the tapes and files, was . . . .

Not: The unit, together with other units, were . . . .
Revised: The unit, together with other units, was. . . . . .

e. **Collective Nouns**. A collective noun names a group of individuals or things in a singular form. Treat a collective noun as singular when the group is regarded as acting as a single unit; treat a collective noun as plural when members of the group are regarded as acting individually.

The committee has power to recommend . . . .

The committee were unable to agree.

(1) If you believe readers will be distracted by a plural verb used with a noun in a singular form, rephrase the sentence.

Members of the committee were unable to agree.

(2) Consistency should be observed in handling collectives.

For example, once you have used a collective as a singular subject, you should not use it as a plural subject or refer to it with a plural pronoun.

The command has the power to recommend a procedure for . . . . As yet, however, it has (not "they have") . . . .

(3) These are some common collectives:

activity	command	division
agency	commission	group
army	committee	headquarters
association	corps	region
board	council	team
class	department	unit

f. **"Data" and "Number"**

(1) Technically, "data" is the plural of "datum," a term seldom used in modern English. "Data" is now used both as a singular and a plural noun. The Agency's preference is to use it as a singular noun.

This data was compiled several years ago.

(2) When the word "number" is preceded by "a," use it with a plural verb. When the word "number" is preceded by "the," use it with a singular verb.

A number of documents were . . . .

The number of units shown was . . . .

g. **Terms of Measurement**

(1) Numbers used with plural nouns to express time, money, distance, weight and the like require a singular verb if they represent a total amount and a plural verb if they represent a number of individual units.

About $2 million was available for the project.

The first 3 years were the most difficult.

NOTE: The use of a term of measurement followed by an "of" phrase often causes problems in determining the number of the verb because

the term is not the logical subject of the verb.

About $35,000 of the required adjustments (was?) (were?) not made.

Revise this type of sentence to show the logical subject of the verb.

Revised: The required adjustments of about $35,000 were not made.
Better: Command personnel had not made the required adjustments of about $35,000.

(2) A fraction used by itself requires a singular verb.

Two-thirds is larger than one-fourth.

(3) Fractions and words such as "part," "majority," "remainder," "percent," "percentage," "half," or "rest" followed by "of" require either a singular or a plural verb, depending on the sense of the sentence. When the fraction or words refer to a mass or unit, they require a singular verb. When they refer to a number of individuals or things, they require a plural verb.

One-half of the roof was . . . .

One-third of the jobs were . . . .

Most of the floor has to be replaced.

Thirty-three percent of the items were lost.

(4) The expression "more than one" though technically plural, is used as a singular.

h. **Confusing Singular and Plural Forms**

(1) Some nouns that appear to be plural are actually singular. As subjects, use them with singular verbs.

economics
apparatus (The plural is "apparatuses.")
news
lens (The plural is "lenses.")

(2) Some nouns are plural even though they are collective in meaning. As subjects, use them with plural verbs.

assets
goods
earnings
proceeds
savings (The singular is "saving." For correct usage see Troublesome Words.)

(3) Some nouns have the same form in the plural as in the singular. When they are subjects of a sentence, use them with a singular or a plural verb, depending on the sense of the sentence.

aircraft	series
corps	statistics
means	(In a reference to money or property, "means" is used with a plural verb. In the sense of an agency, the term may be used with either a singular or a plural verb. The choice of a modifier generally determines the number of the verb. Use a: -Singular or plural verb with "the" means. -Singular verb with "a," "one" or "every" means. -Plural verb with 'all," "several" or "such" means.

(4) To determine whether nouns with foreign spellings are singular or plural, check the List of Preferred and Difficult Spellings and Word Combinations.

i. **Indefinite Pronouns.** Indefinite pronouns do not name specific individuals or things.

(1) Use a singular verb with indefinite pronouns, such as:

anything	either	nothing
each (Also see	everything	one
paragraph lb(2).)	neither	something

<u>Each</u> of the audits <u>has</u> . . . .

(2) Use a plural verb with these indefinite pronouns:

both	few	many	several

Few of the changes <u>have</u> . . . .

(3) The indefinite pronouns that follow may be used with either a singular or a plural verb, depending on

the sense of the sentence. When they refer to an amount or a mass, use them with a singular verb. When they refer to a number of individuals or things, use them with a plural verb.

all any none some

All (meaning "gasoline") is to be used for . . . .

None of the items were listed on the form. (In a sentence such as this one, 'not one" can be used in place of "none" to stress the singular sense.)
Some of the machinery was not used.
Some of the members were late.

2. **VERB TENSES**

a. **Present**. The present tense should be used for unchangeable truths such as definitions and for continuing affairs or present facts such as standards, regulations, responsibilities and missions.

An economic analysis is a systematic approach to the problem of choosing how to employ scarce resources.

Category I standards require performance within a proficiency range of 90 to 110 percent.

AR 380-XX requires controls to be established to limit access to magnetic tapes and disk packs.

The activity is responsible for developing computer software to support the U.S. Army Materiel Command and its major subordinate commands.

The XX Army National Guard has both a Federal and a State mission. The Federal mission is . . . .

b. **Past.** The past tense should be used for conditions found as a result of audit because we can verify that the conditions existed only at the time of the audit.

The amount of work certified for payment was less than that shown in the ledger.

Management information was inaccurate and incomplete

and therefore unreliable for decision-making purposes.

The directorate had no documentation to support its labor estimates.

The X Command directed its major subordinate commands to use $16 an hour for estimating costs of developing software.

c. **Sequence**. One rule of grammar is the one governing the sequence of tenses. According to the rule, the tense of the verb in the main (independent) clause of a sentence governs the tense in a subordinate clause (a clause that cannot stand alone because it does not express a complete thought).

(1) In applying this rule to sentences discussing audit results:

(a) When the verb in the main clause is in the past and the action in the subordinate clause occurs at the same time, use the past tense in the subordinate clause.

The analysis showed that curbside collection was not economically advantageous.

Supervisors at the unit said that military personnel were often assigned other duties that did not relate to maintenance of facilities.

Aviation Center personnel were not aware that readiness statements were required from the combat developers.

(b) When the action in the subordinate clause occurred before that in the main clause (that is, is a past before a past), use the past perfect tense in the subordinate clause. (This tense, formed by combining ."had" (or "had been" for the passive) with the past participle of the verb, shows action completed before some definite time in the past.)

Installation personnel said that

they had called the agency about 20 system deficiencies.

The units returned the equipment after they had finished the training exercises.

In the surprise cash count they found that nine subvouchers had not been signed by vendors.

(2) There are exceptions to the use of the normal sequence.

(a) The present tense, rather than the simple past or the past perfect tense, is used in a subordinate clause to express an unchangeable truth or a continuing or timeless state of affairs.

The central energy plant employed two individuals for the first and second shifts although AR 450-XX specifies that only one is to be employed for each shift.

Command did not agree and stated that the installation's standing operating procedure requires a survey to be made only every 3 years.

Command also stated that defining, maintaining and apportioning costs are not exact sciences.

(b) When the subordinate clause indicates future time, choose the tense that is logical and makes the meaning of the sentence unmistakable.

The audit showed that DA needed to strengthen regulatory guidance to make sure that training at area schools would be (not "was") sufficient to prepare soldiers to function effectively.

The normal sequence is used in this sentence. ("Would be" is the conversion of the future "will be" to the past tense.) But the exceptional sequence "will bet' would be more logical because the action will continue into the future. Another exception is possible in this type of sentence.

The audit showed that DA needs (to stress that the action is still needed at the time the report is written) to strengthen regulatory guidance to make sure that training at area schools will be sufficient . . . .

3. **VERB AND PREPOSITION OMISSIONS**

a. **Verb**

(1) When the same verb (or verb form) will serve the second part of a parallel construction, the verb need not be repeated.

Not: The statistics were checked and the reports were filed.
Revised: The statistics were checked and the reports filed.

Not: Until the backlogs have been identified and the priorities have been assigned . . . .
Revised: Until the backlogs have been identified and the priorities assigned. . . .

(2) But when the second part of a parallel construction requires a change in verb number or form, the necessary verb should not be omitted.

Not: These proceeds are now included with the other receipts and settlement made quarterly.
Revised: These proceeds are now included with the other receipts and settlement is made quarterly.

Not: . . . until engineering surveys have been completed and the work accented.
Revised: . . . until engineering surveys have been completed and the work has been accepted.

Not: The committee is now or will study the report.
Revised: The committee is studying the report or will study it. (The word "now" is not needed.)

b. **Preposition**

(1) When the same preposition will serve for two or more words or phrases, most of the time it need not be repeated.

Not: They had no interest in or confidence in the plan.
Revised: They had no interest or confidence in the plan.

Not: Any profits should be used for funding capital improvements, for renaming outstanding loans, and for improving physical plants.
Revised: Any profits should be used for funding capital improvements, repaying outstanding loans, and improving physical plants.

NOTE: A preposition should be repeated, however, if repetition aids clarity; for example, when the prepositional phrases are long or involved.

Not:. . . could be strengthened by reducing the time required to monitor the receipt of initial support items and consolidating the shipment of support items . . . .
Better: . . . could be strengthened by reducing the time required to monitor the receipt of initial support items and by (preposition added) consolidating the shipment of support items . . . .

(2) But when two or more words require different prepositions, include them.

Not: A contract for $75,600 was awarded for equipment to be installed and attached to the officers' club.
Revised: . . . to be installed in and attached to the officers' club.

4. **MISPLACED MODIFIERS**. A modifier should be placed as near as possible to the word it modifies so the meaning of the sentence will be clear and logical.

a. **Words**

Not: A record disposal program should be established to provide for the periodic disposal of files required.
Revised: A record disposal program should be established to provide for the required periodic disposal of files.

Note how the placement of a modifier can change the meaning of a sentence.

The rain almost damaged the workpapers beyond retrieval.

The rain damaged the workpapers almost beyond retrieval.

Unit personnel said that preventive maintenance had been performed only on the equipment.

Unit personnel said that only preventive maintenance had been performed on the equipment.

b. **Phrases and Clauses**

Not: Aircraft were selected for overhaul under programs that were in good operating condition.
Revised: Aircraft that were in good operating condition were selected for overhaul programs.

Not: The inspectors are to prepare an inspection sheet for each structure on which brief1y explained violations are to be noted.
Revised: The inspectors are to prepare an inspection sheet on which they are to briefly explain the violations for each structure.

Not: We discussed the possibility of mechanizing this function with management personnel.
Revised: We discussed with management personnel the possibility of . . . .

5. **PILED-UP MODIFIERS**. The practice of using a string of modifiers

(usually nouns) before a noun interferes with readability of information. This practice cannot be avoided when the modifiers are part of a proper name; for example, a procedure, form, report or committee. But the number of modifiers should be limited before other nouns whenever possible. The number can be reduced by:

Using prepositions.

Not: the Commodity Command Standard System data base
Revised: the data base of the Commodity Command Standard System

Not: the FY 82 Department of Labor wage rate determinations
Revised: wage rate determinations by the Department of Labor for FY 82
Better: wage rates determined by the Department of Labor for FY 82

Hyphenating modifiers.

Not: first year operating results
Revised: first-year operating results

Using possessives.

Not: activities annual operating results
Revised: the activities' annual operating results

Combining several techniques.

Not: fixed asset general ledger control accounts
Revised: general-ledger control accounts for fixed assets
Or: general ledger accounts for controlling fixed assets

6. **DANGLING CONSTRUCTIONS**. Dangling constructions occur most frequently at the beginning of sentences and usually are phrases containing an "ing" or "ed.. verb form. When these phrases begin a sentence, they modify the subject of the sentence. Therefore, they must be followed by the logical subject. When they are followed by something other than the logical subject or when the logical subject is missing from the sentence, the phrases dangle. Dangling phrases can bring readers up short and cause them a moment of confusion while they match the modifier with the modified. A dangling modifier can be corrected by:

Changing the subject of the sentence so the modifier is followed immediately by the word it logically modifies.

Dangling: In developing the long-range plan, consideration should be given by command to the number and types of employees needed.
Revised: In developing the long-range plan, command should consider the number and types of employees needed.

Changing the phrase to a construction that has its own subject and verb.

Dangling: By making an additional adjustment to exclude contract administration, productivity would further increase.
Revised: If an additional adjustment were made to exclude contract administration, productivity would . . . .

Changing to a prepositional phrase that modifies the verb in the sentence.

Dangling: Based on available information, we concluded . . .
Revised: From available information, we concluded . . . .

Adding the logical subject to the sentence.

Dangling: Using 31 March 1980 records, the costs of housing exceeded the amounts collected from employees by $15,000.
Revised: Using 31 March 1980 records, we determined that the . . . .
Better: The 31 March 1980 records showed that housing costs . . . .

NOTE: A good way to test whether a phrase dangles is to place it after the subject. The inappropriateness of a dangling phrase will be instantly evident.

7. **ACTIVE VOICE VERSUS PASSIVE VOICE**. A sentence is in the active voice if the subject performs the action (that is, is the doer); it is in the passive voice if the subject receives the action (that is, is the receiver).

A verb in the passive voice is never a simple verb; it is always a verb phrase consisting of:

Some form of the verb "to be" (examples: "am," "is," "are,"

"was," "will be," "been," "have been," "being").

The past participle of a verb (the past participle of most verbs ends in "en" or "ed").

NOTE: Don't confuse passive voice (a grammatical term used when the subject of the sentence is receiving the action expressed by the verb) with past tense (the time of the action expressed by the verb).

Passive: A recommendation was made by the Safety Committee that testing be continued.
Active: The Safety Committee recommended that testing continue.

a. **Active**. You should write mostly in the active voice because a sentence in the active voice:

(1) Usually states the action in fewer words.

Passive: The annual increase was approved by higher command. (8 words)
Active: Higher command approved the annual increase. (6 words)

(2) States the action directly and therefore more forcefully. The direct order of the active voice, in which the subject acts and the verb expresses the action, is also more familiar to readers than the indirect order of the passive voice.

(3) Is complete. Sentences in the passive voice often omit the actor (that is, omit the "by" phrase) and leave the reader wondering who was responsible for what happened.

Passive: A determination was made that . . .
.
(by whom?)
Active: The committee determined that . . .
.

NOTE: Notice that we've changed the preceding sentences from passive to active by moving--or inserting--the actor before the verb. Two other ways to change from passive to active are to:

Change the verb.

Passive: Most of the soldiers were given their medical examinations within the prescribed

timeframes.
Active: Most of the soldiers had their medical examinations.

Drop part of the verb.

Passive: Policies and procedures for automatic return items are contained in AR 710-1.
Active: Policies and procedures for. . . are in . . .

b. **Passive**. The passive voice serves certain purposes. It should be used when:

(1) You want to stress the receiver.

Developmental and operational tests can be used by decision makers to determine whether a system is suitable and ready for military use.

(2) You do not know the actor or the actor is unimportant.

Tests are formally divided into two broad categories: developmental and operational.

(3) You have made it clear to the reader that command has been deficient in some action and wish to soften the tone of the sentence.

In addition, operational testing was not performed until November 1982, well after the production contracts had been awarded.

8. **PARALLELISM**. Related ideas should be expressed in parallel form. Repetition of structural or grammatical form helps readers follow related ideas.

a. **Series**. Elements in a series should be in the same grammatical form. It does not matter which form you use as long as you follow through with the same one.

Not: The building was large, convenient and it did not cost much.
Revised: The building was large, convenient and inexpensive. (All elements are now adjectives.)

Not: The division is responsible for formulation of.

. . maintenance of . . . . and submitting . .
Revised: The division is responsible for formulating . . . . maintaining . . . . and submitting . . . . (All elements are now verbal nouns; that is, verb forms ending in "ing" that function as nouns.)

Not: These initiatives included (i) realigning or combining some commands, (ii) new automated data processing systems, (iii) proposed legislation to increase dollar thresholds affecting the contracting process, and (iv) more effective use of management and support personnel in the . . . .process.

Revised: . . . included (i) realigning or combining some commands, (ii) acquiring new . . . systems, (iii) proposing legislation . . .process, and (iv) using management and support personnel more effectively in . . . (All elements are now introduced by verbal nouns.)

b. **Lists.** Elements listed after an introductory statement should be parallel. Only words should be listed with words, phrases with phrases, clauses with clauses. If a word or phrase needs explanation, it may be followed by a sentence. The same grammatical form should be used to begin each element. For example, one element should not begin with a noun while the others begin with a verb. If listed elements can begin with the same word (such as the" or "that"), put the word in the introductory statement.

Not: The review of FY 82 data showed:
That job order changes recorded in direct labor reports differed from . . . in payroll records by about $506,000. (clause)
Excessive machine setup costs of about $535,000. (phrase) The process costs charged to job orders exceeded actual costs by about $700,000.(clause)
Revised: The review of FY 82 data showed that:
Job order changes recorded in direct labor reports differed from payroll records by about $506,000. (clause)
Excessive machine setups resulted in costs of about $535,000. (clause)
Process costs charged to job orders exceeded actual costs by about $700,000. (clause)

c. "**Either . . . . Or" and "Neither . . . . Nor**." Sentence

elements following pairs of conjunctions such as "either . . . . or" and "neither . . . . nor" should be in the same grammatical form.

Not: The agreement covered neither the assistance (noun) that would be furnished nor set up (verb) a plan of operation.

Revised: The agreement neither covered Verb) the assistance that would be furnished nor set up (verb) a plan of operation.

d. **Independent Clauses**. Independent clauses expressing equal thoughts should be in parallel word order. When the pattern is repeated, readers can compare details easily.

Not: For category I hours the overall measured efficiency was 85.7 percent; the overall measured efficiency for category II hours was 101.1 percent.
Revised: For category I hours the overall measured efficiency was 85.7 percent; for category II hours it was 101.1 percent.

e. **Voice.** The voice of verbs should not be changed unnecessarily as an unnecessary change violates the principle of parallelism.

Not: The board considered (active voice) the report, but no definite action was taken (passive voice).
Revised: The board considered (active voice) the report but took (active voice) no definite action.

Not: The errors occurred because (i) the personnel did not post (active voice) some transactions, (ii) postings were duplicated (passive voice) by the personnel, and (iii) materials were sometimes charged (passive voice) by them to the wrong order.
Revised: . . . because the personnel (i) did not post (active voice) some transactions, (ii) duplicated (active voice) postings, and (iii) sometimes charged (active voice) materials . . . .

f. **Headings**. (For a discussion of parallelism in headings, see Parallelism. - Appendix H)

9. **SPLIT INFINITIVE**. An infinitive may be split (that is, an adverb may be placed between the "to" and the verb) to make a sentence read smoothly.

Awkward: . . . is expected moderately to exceed . . . .

. . . is expected to exceed moderately . . . .

. . . is expected to exceed domestic use and commercial imports moderately.

Smooth: Production is expected to moderately exceed domestic use and commercial imports.

Sometimes there is no good reason to split the infinitive because the sentence is just as smooth with the adverb at the end.

The personnel are to immediately return the equipment.

The personnel are to return the equipment immediately. (just as smooth)

But in some sentences the only logical place to put the adverb is between the "to" and the verb.

The Army expects to nearly double its forces during the next 10 years.

NOTE: Watch for split infinitives that are redundant, for example:

to actually realize
to clearly understand
to really comprehend

10. **PREPOSITION AT SENTENCE END**. The major emphasis in an English sentence is near the end; therefore, a sentence should usually end with the most important word. But there is no need to write an awkward sentence just to avoid ending it with a preposition. So end a sentence with a preposition if the sentence sounds natural.

The retention levels were to be reinstated once the excess was disposed of.

The objective was to determine whether procedures for the program were complied with.

11. **"WHICH."** "Which" may be used to refer to the whole idea of a preceding clause if "which" is not ambiguous. It is usually ambiguous when it follows a pronoun or noun, as in this sentence:

Not: Their passwords had not been deleted from the list, which permitted personnel who were no longer employed in the area to have unauthorized access to automated data.

Revised: Because their passwords had not been deleted from the list, personnel who were no longer employed in the area were permitted to have . . . .

APPENDIX H
PARAGRAPHS

1. **HEADINGS**

a. **Type**. Headings should:

Describe the content of the paragraph or paragraphs.

Be objective; that is, they shouldn't indicate the problem.

Stand alone; that is, they shouldn't be used as the first words of the lead-in sentence.

(Also, see paragraph 6, page B-2, USAAA Regulation 36-53.)

b. **Parallelism.** As much as possible, make headings for each level of a finding parallel.

Not:

1. Cash Receipts and Deposits
2. Preparation of Sale Documentation
3. Separating Duties

Revised:

1. Controlling Cash Receipts and Deposits
2. Preparing Sales Documentation
3. Separating Duties

Or:

1. Control of Cash Receipts and Deposits
2. Preparation of Sales Documentation
3. Separation of Duties

2. **LENGTH**. If you want readers to read your reports, keep paragraphs as short as possible--about 12 to 15 lines is a good length for the type of content in Agency reports. Be sure to divide content at logical places. And consider:

Using a variety of paragraph lengths to help avoid monotonous reading.

Highlighting an important idea by placing it in a paragraph that is a different length from that of surrounding ones.

3. **SUBDIVISIONS**

a. **Hyphenated Subparagraphs.** Use hyphenated subparagraphs for:

A series of items; that is, don't use just one hyphenated subparagraph.

Items that are parallel in type of content (for example, all examples, all actions) and in form (for example, all words, all phrases, or all sentences or groups of sentences.

Indent hyphenated subparagraphs only from the left margin and block them only on the left side.

b. **Long Quotations.** You may place a long quotation in a subparagraph.

Single-space the quotation.

Indent it from both margins.

Block it on both sides.

Use no quotation marks.

C. **Continuations**. When you continue a paragraph after a subdivision within the paragraph--such as a hyphenated subparagraph, a blocked quotation, or an illustration (for example, a chart), continue the paragraph at the left margin.

4. **Well-Written Paragraphs.** Remember that well-written paragraphs have certain characteristics. They:

Discuss one main topic. Remove anything that doesn't concern that topic, and place it elsewhere--if needed.

Have their main point in a sentence at--or very near--the beginning of the paragraph.

Have an orderly method of development; for example, a generalization then examples, cause and effect, time, space, comparison and contract--or a combination of several of these. Use a method that fits the information you're presenting.

Have sentences that are logically connected--for example, by transitional words or phrases, parallel constructions, pronouns, or repetition of key words.

Well-written groups of paragraphs within a section of a report should:

Pertain to one overall topic.

Tell the reader what that topic is up front--either in a sentence of a short introductory paragraph.

Follow each other in logical order.

Have statements that connect them to each other; that is, there shouldn't be gaps between paragraphs within a section.

APPENDIX I
PUNCTUATION

1. APOSTROPHE

a. **For Possession**. Use an apostrophe to show the possessive case of nouns and some pronouns. For:

(1) A singular or plural noun not ending in "s," add an apostrophe and an "s."

country's	men's
Soldier's	employee's
Members	women's

(2) A singular or plural noun ending in "s" or with an "s" sound, add an apostrophe only.

countries'	Jones'
Employees'	members'
Schmitz'	soldiers'

(3) Compound nouns, add an apostrophe and an "s" to the element nearest the object possessed. If the last word in the compound ends in "s," add an apostrophe only.

The Auditor General's decision
sergeant-at-arms' office

(4) Nouns in a series, use an apostrophe:

(a) With the last one to indicate joint possession.

soldiers and sailors' home

(b) With each one to indicate alternative or individual possession.

soldiers' and sailors' uniforms
the Army's or the Navy's plan

(5) Pronouns:

(a) Use an apostrophe and an "s" to form the possessive of pronouns such as:

anybody's everybody's no one's

(b) But do not use an apostrophe and an "s" for the possessive of these pronouns:

its theirs ours whose yours

("It's" means "it is"; "who's" means "who is."

Contractions are not appropriate in Agency audit reports.)

(6) Words more descriptive than possessive, use no apostrophe.

*bidders mailing list
editors handbook
technicians manuals
*travelers checks

b. **For Idiomatic Expressions**. Use an apostrophe, or an apostrophe and an "s," in certain idiomatic expressions even though possession is not involved.

1 day's labor	the present year's appropriation
an hour's delay	10 billion dollars' worth
2 weeks' pay	future years' (several years) budgeted costs

c. **For Plurals**

(1) Use an apostrophe and an "s" to form the plural of figures and alphabetic letters.

a's	m's	1980's
by lOO's	7's	2 by 4's (lumber)

(2) But add only an "s" or "es" to form the plural of numbers written out.

Twos	threes	sixes	the eighties

(3) Do not use an apostrophe to form the plural of acronyms or of words referred to as words unless omission of the apostrophe would cause difficulty in reading.

Fys	ARs	ins and outs	ups and downs

2. **COLON**

a. **For Introduction**

(1) Use a colon to formally introduce a direct quotation of more than a few words or a complete sentence or question. (Also see paragraph 3c, for the use of a comma for introducing a direct quotation.)

The message stated: "The customer must pay all expenses of handling, loading and shipping."

This question was brought up for discussion: What is the intent of the regulation?

(2) Use a colon to introduce a series of sentence elements shown on separate lines. Because the colon signals that something will follow, anticipatory words like "the following" or "as follows" can usually be omitted from the introductory statement.

Each month the central accounting office is to provide:

An accounts receivable aging schedule.
A copy of each member's account.
An accounts receivable subsidiary ledger.

(3) When elements are not listed on separate lines:

(a) Either complete the introductory statement before using a colon.

Family housing occupants had several maintenance responsibilities: replacing faucet handles, unstopping drains, replacing light bulbs, and resetting circuit breakers.

(b) Or omit the colon. Do not use a colon directly after a verb or preposition to introduce a series of sentence elements (words, phrases or clauses) when the elements are not shown on separate lines.

Preparation of the sales accountability statement involves (no colon or other punctuation) (i) taking a physical inventory after each operation to determine the amount of stock consumed, (ii) computing the sales value of the stock consumed, and (iii) comparing expected sales with actual sales recorded by cash registers.

Controls over time and attendance would be improved by (no colon or other punctuation) requiring all employees to use the timeclock, requiring supervisors or managers to initial changes to timecards, and processing requests for overtime in advance.

b. **For Separation**. The colon may be used to separate two

independent clauses (can stand alone as a sentence) when the second explains, summarizes or expands on the first.

The new procedure improves on the original: it provides checkpoints to help make sure results are accurate.

3. **COMMA**

a. **For Separation**

(1) Use commas to separate a series of words, phrases or clauses.

(a) The comma may be omitted before the conjunction separating the last two elements if they are short or uncomplicated.

equipment, facilities and personnel

NOTE: Be consistent. If you omit the comma separating the last two elements in one short or uncomplicated series, omit it in all similar series throughout the report.

(b) The comma should be retained before the conjunction separating the last two elements if one of them contains a conjunction, or if the elements are long or complicated and the comma aids clarity.

personnel, facilities and equipment, and costs.

The reinspection cycle for a roof in marginal condition is every 12 months, a floor covering in marginal condition every 9 months, and equipment in marginal condition every 6 months.

Actions recommended included (i) strengthening sign-in procedures, (ii) verifying performance of makeup training by tardy members, and (iii) establishing procedures to verify that absences are excused for only valid reasons.

(c) For punctuating a series of items containing internal punctuation, see paragraph 8a(3).

(2) Use a comma to separate independent clauses joined by a coordinate conjunction ("and," "or," "nor," abut" and "for").

No type of purchase is automatically excluded

from the directive to maximize competition, and this directive applies regardless of the level of the requesting official.

If the clauses are short (about four or five words) and cannot be misread, the comma may be omitted.

Leased equipment must be transferred and new equipment must be purchased.

NOTE: Sometimes the independent clause following the conjunction is preceded by a subordinate clause (cannot stand alone because it does not express a complete thought), a long phrase, or a phrase containing a verb form. The subordinate clause and the phrases are considered introductory elements not parenthetic or interrupting ones. Therefore, use a comma before the conjunction but not after it.

Internal controls and transactions were not tested, and (no comma) although weaknesses were identified, their significance was not established.

If a misreading could occur, a semicolon may be used before the conjunction in sentences such as the preceding one. (See paragraph 8a(2).)

(3) Do not use a comma to separate two predicates connected by "and," "or," "nor" or "but" unless the comma is needed for clarity.

The modification packages were acquired in FY 82 (no comma) and were installed in the aircraft in FY 83.

(4) Do not use a comma after "and" or "but" used at the beginning of a sentence (unless the comma is one of a pair enclosing an interrupting element).

And (no comma) full implementation of the selfhelp program would enable the in-house workforce to perform more critical maintenance and repair projects.

(5) Do not use a comma after an "and" or a "but" introducing the last element in a series separated by semicolons.

Recommended actions included (i) ensuring that system requirements are expressed clearly, changes to test plans are coordinated, and test scope is sufficient to provide meaningful

confidence levels; (ii) having one command with no other acquisition responsibilities perform operational tests and evaluations; and no comma) (iii) making sure that acquisition strategies for systems provide for adequate and complete operational tests.

(6) Use a comma to separate an introductory subordinate clause from the independent clause. No comma is needed if the subordinate clause follows the independent clause.

If all costs had been recorded in the accounts, the accumulated deficit would have been larger.

The accumulated deficit would have been larger if all costs had been recorded in the accounts.

(7) When a subordinate clause introduces two independent clauses joined by "and" and applies to both independent clauses, do not use a comma to separate the independent clauses unless it is needed for clarity. (A comma would make the introductory subordinate clause seem to apply only to the first independent clause.)

If accountability is not maintained over these buildings, future construction requests will be jeopardized (no comma) and credibility with Congress will be lost. (The second "will be" in this sentence could be omitted. See Verb and Preposition Omissions.)

Unless corrective actions are taken by installation commanders, opportunities to consolidate activities will be missed, (comma optional for clarity) and resources will be wasted in maintaining and operating vacant and underused facilities.

(8) Use a comma after an introductory phrase containing a verb form.

After reading the FY 88 report, the committee decided to . . .

(9) Omit the comma after other types of introductory phrases unless it is needed for clarity or emphasis.

During that year command began to . . . .
In 1988 the committee decided . . . .

Before the inspection, depot personnel doublechecked their equipment. (The comma after "inspection" is needed for clarity.)

In 1988, 158 items were . . . . (The comma after "1988" is needed for clarity.)

In response to the committee's 1982 report, command . . . . (The comma may be used after a long introductory phrase for clarity.)

(10) Use a comma to separate the title of a person and the name of an organization or activity in the absence of the words "of" or "of the."

The Comptroller, Division of Finance had responsibility for . . . .

(11) Use the comma to separate two or more adjectives when they equally modify the same noun.

a ripe, juicy apple

One test of whether a comma is needed to separate adjectives is to substitute the word "and" for the comma. Another test is to reverse the order of the adjectives.

a ripe and juicy apple
a juicy, ripe apple

b. **For Enclosure**

(1) Use commas to set off or enclose parenthetic elements such as transitional words or phrases (for example, "however," "consequently," "as a result," "moreover") and independent comments (comments expressing the writer's attitude toward the sentence). The position of a parenthetic element usually can be shifted in a sentence without changing meaning. Unless you wish to emphasize a parenthetic element, place it within the sentence rather than at the beginning. And remember to use a pair of commas to enclose a parenthetic element placed within a sentence.

The Chief of Engineers stated, however, that . . .

The contractor, on the other hand, had no plans . . . .

For example, employees routinely left workshops and. . . .

Personnel performance, as a result, could not . . . .

The records, we believe, should be . . . .

NOTE: Because of the modern tendency toward less punctuation, parenthetic elements such as "thus" and "therefore" need not be enclosed in commas unless you wish to emphasize them.

We recommend therefore that . . . .

Thus the change was unavoidable.

(2) Use commas to enclose nonrestrictive phrases and clauses. Nonrestrictive phrases and clauses merely add information about the words they modify. They could be omitted and the sentence would still make good sense. Restrictive phrases and clauses should not be set off by commas because they so limit or identify the words they modify that they are essential to the meaning of the sentence.

The three reports, which had been written in 1988, (writer is merely providing additional information about the reports) showed that . . . .

The reports that we examined (writer is limiting the reports) showed that . . . .

NOTE: Either "that" or "which" may be used for introducing restrictive clauses, but "that" is preferable. Only "which" is correct for introducing nonrestrictive clauses.

(3) Use commas to enclose an appositive (a word or phrase that explains or identifies a preceding word and has the same meaning as that word). An appositive at the end of the sentence should be preceded by a comma.

One of the items, a point-detonating fuse, had not been . . .

The first proposal, to finish the contract by 31 March 1988, was not accepted.

They submitted a bill for the full amount, $35,652.

A restrictive (or close) appositive should not be enclosed in commas.

The year 1983 marked the fifth anniversary of the project.

The word "collocated" is often misspelled.

(4) Use commas to enclose the name of a State when it follows the name of a town or city.

. . . is located in Richmond, Virginia, and. . .

c. **For Introduction**. Use a comma before a short direct quotation following an introductory phrase.

The letter said, "Return the filled-out form by 1 June 1988."

(For use of a colon with a direct quotation, see paragraph 2a(1).)

NOTE: Do not use either a comma or a colon when directly quoted material is woven into the wording of a sentence.

According to the regulation, a valid obligation must be supported by (no comma or colon) "a binding agreement or a contract in writing."

4. **DASH**. The dash, a strong and noticeable mark, should not be employed as a lazy substitute for more exact marks of punctuation.

A comma or commas, a colon or parentheses often are more appropriate than a dash or dashes. But dashes are useful for enclosing a parenthetic element with internal punctuation or for enclosing or introducing a word or group of words that you wish to emphasize.

The new plan covers all systems--the current automated system, the upgraded replacement system, and even the manual system--and will be in effect by 1 July 1988.

Every supervisor and manager--military and civilian--is responsible for taking necessary action to ensure that instances of sexual harassment are addressed swiftly, fairly and effectively.

For example, the stock records showed that 1,540 batteries were

on hand, but our inventory showed only 1,215--a shortage of 325 batteries.

NOTE: Dashes in the last two examples provide more emphasis than a comma or commas would provide. But use dashes sparingly for this purpose.

5. **PARENTHESES**

a. **With Explanatory Material**. Use parentheses to enclose:

(1) Explanatory material that is not needed to understand the main idea expressed in the sentence yet is important enough to be included. The interruption caused by the material should be too great for the use of commas. (Parentheses are preferable to footnotes for enclosing this type of material, unless it is lengthy or complex.)

The directive did not state what type of hours (direct, indirect or both) the rate applied to.

Personnel entering or leaving the building during security hours (weekends, or weekdays before 0600 and after 1800) were required to record their arrival and departure times.

The Federal Acquisition Regulation states that the contracting officer can have the Small Business Administration fund the excess contract cost (business development cost) or can withdraw the contract from the set-aside program.

(2) Cross-references, whether within a sentence or by themselves.

The Chief of Engineers did not agree, however, that a single uniform priority system should be established (B-4) or that . . . .

The estimate should be increased by 23 percent. (See Finding C for details.)

(3) Short definitions.

The regulation states that 10 percent of the total barracks spaces assigned to a unit may be held vacant for unit integrity (only one unit assigned to a barracks).

(4) Short examples.

Work classified as backlog can range from minor tasks (window repairs) to major projects (building rehabilitation).

(5) Percentages showing the relationship between figures.

Of the 4,835 chemical specialists in the Army, 641 (13 percent) were . . .

b. **With Punctuation**

(1) Place the period after the closing parenthesis when enclosed material is at the end of a sentence and before (inside) the closing parenthesis when enclosed material is shown as a separate sentence. (See the preceding examples.)

(2) Place the comma after the closing parenthesis when enclosed material follows an introductory phrase or clause that is normally set off from the main (independent) clause by a comma.

In negotiating a new contract price for the second option year (FY 88), command personnel . . . .

6. **PERIOD**

a. **For Enumerations** In an enumeration shown on separate lines, use periods after each item listed whether a word, phrase or clause.

A walk-through inspection showed that:

Ceilings and ceiling insulation replaced during the past 3 years had fallen to the floor.

The fire sprinkler systems had frozen during the winter because of broken windows and missing doors.

With regard to the other 10 items, command stated that:

5 were not excess to requirements objectives.

3 were scheduled to be repaired.

2 were to be disposed of.

b. **For Omissions**. Use spaced periods (called ellipsis periods)

to show omission of part of a quoted passage.

(1) Use:

(a) Three periods--separated by one space before, between and after each period--to show omission from the beginning or middle of a sentence, or omission of two or more consecutive sentences.

(b) Four periods to show omission at the end of a sentence. The fourth period is the terminal punctuation for the sentence. Therefore, if the final word of the sentence is shown, the fourth period should be placed next to that word (not separated by a space).

DOD Handbook 7200.9-H, paragraph 5 states in part:

. . . any limitation imposed administratively which modifies or restricts the terms of fund authorizations . . . constitutes a separate subdivision of funds. . . . Therefore if any such limitation is exceeded, it shall be considered a violation of Section 3679.

(c) Use one line of spaced periods to show omission of one or more entire paragraphs.

(2) Do not use spaced periods before or after directly quoted material woven into the wording of a sentence.

On 3 February 1988 the legal counsel replied that the command could "use the purchase requests, if sufficiently precise," to support the obligations.

c. **For Paragraph Captions or Section Headings**. Use a period at the end of a paragraph caption or a section heading followed by a statement. Omit the period at the end of a free-standing caption or heading.

1. Background

a. Responsibilities. The facility engineer is responsible . . . .

NOTE: In a report, these captions would be in bold.

d. **For Numeric or Alphabetic Cross-References**. Omit the period after a numeric or an alphabetic cross-reference within a sentence.

(See paragraph lb (not "l.b.") for a more detailed discussion of this area.)

7. **QUOTATION MARKS**. Whatever is shown as a direct quotation must be verbatim. Indirect quotations should not be enclosed in quotation marks.

a. **For Lengthy Direct Quotations**. Set off long direct quotations from the remainder of the text by indenting from both margins and blocking both sides so they are clearly distinguishable. (See the example at the top of this page.) Single-space blocked quotations and use no quotation marks at the beginning or end of the quoted material.

b. **With Other Punctuation**

(1) Always place commas and periods inside quotation marks.

The items were marked "A," "B" and "C."

(2) Place all other punctuation marks outside quotation marks unless they are part of the quotation.

Two of the items were marked "fragile"; the other three were unmarked.

The instructor asked, "Why?" (The quotation is a question; therefore, the question mark is part of the quotation.)

c. **After Certain Terms**

(1) Use quotation marks to enclose any matter following the terms "entitled," "titled," "the word," "the term," the phrase," "marked," "designated," "classified," "named," "endorsed," "signed" and "coded."

The document was marked "For Official Use Only."

(2) Do not use quotation marks to enclose matter following terms such as "known as," "referred to as," "called" and "classified as," or to enclose the title of an Agency report unless the word "entitled" or "titled" precedes the title.

The program is known as the Personnel

Performance and Training Program.

See Audit Report: NE 84-201, 14 December 1983, Procurement Evaluation and Selection Practices, U.S. Army Materiel Command.

d. **With Words**. Use quotation marks (or under certain circumstances, bold print or italics) to enclose:

(1) Words referred to as words as well as their definitions.

"Continuously" means "without interruption."

(2) Common words used in a special sense.

The amendment was passed in 1978 during a "lameduck" session.

e. **With Titles**

(1) Use quotation marks to enclose titles of articles, books and papers.

In Professor Bromage's book "Writing Audit Reports". . . .

(2) Do not use quotation marks when citing titles of Army or Agency regulations, pamphlets, circulars or forms.

AR 10-5 (Department of the Army, Organization and Functions) states that . . . .

(3) Do not use quotation marks when citing titles of newspapers and magazines.

Publish information on the food recall program in quarterly issues of the Troop Support Digest.

8. **SEMICOLON**

a. **For Separation**

(1) A semicolon may be used to separate closely related independent clauses that are not joined by a coordinate conjunction ("and, "or," "nor," "but" and "for"). The use of a semicolon between independent clauses is justified only when their relationship is fairly close. If it is not, use a period to separate them.

Division personnel considered the reporting

guidance acceptable; unit personnel found it unclear.

(2) A semicolon may also be used to separate closely related independent clauses joined by a coordinate conjunction if the clauses have internal punctuation.

As facilities get older, their need for maintenance and repair increases; and if the work is deferred, the facilities usually deteriorate further.

Using a semicolon in this manner, however, often results in a long and involved sentence. If so, use a period to separate the clauses.

(3) Use semicolons to separate a series of elements containing internal punctuation. Do not use semicolons to separate elements just because they are long.

The division commander directed A Troop to the rear of the maneuver area; B Troop, which had just returned from a reconnaissance mission, to the front of the maneuver area; and C Troop to the left of the area.

Audit work was performed at DA Staff elements; the Office, Chief of Engineers; Headquarters, the U.S. Army, Europe and Seventh Army; the Forces Command; and eight installations in CONUS and Europe.

b. **Before Transitional Words and Phrases**. Use a semicolon before a transitional word or phrase that joins two independent clauses. These are some transitional words and phrases: "also," "as a result," "besides," "consequently," "for example," "furthermore," "however," "in addition," "instead," "meanwhile," "nevertheless," "otherwise," "so," "still," "then," "therefore," "thus" and "yet."

Predetermination inspections were made on most of the 407 quarters vacated during the last 3 months of 1987; however, the inspections were not used to schedule necessary maintenance and repair.

NOTE: A comma is usually placed after a transitional word or phrase. But if the transitional is short (like "thus," "then" or "so"), the comma can be omitted.

c. **Before Explanatory Words and Phrases**. Use a semicolon before

an explanatory word or phrase like that is" or "for example" when it introduces matter (an example, enumeration or list) at the end of a sentence. Use a comma after the explanatory word or phrase.

> We recognize that some top Army managers favor the existing test management structure; that is, having operational testing and evaluation responsibilities split between the Operational Test and Evaluation Agency and the Training and Doctrine Command.

NOTE: When an explanatory word or phrase introduces matter in the middle of a sentence, treat the entire construction as parenthetic and set it off by commas or dashes.

> Many of the components, for example, the motor, were manufactured by the contractors.

9. **FOOTNOTE REFERENCE MARK AND PUNCTUATION**. The superior reference mark (1/) follows all punctuation except a dash.

The commissioner said that award of the contract was "justified " 1/

The U.S. Army Materiel Command, 4/ which has responsibility for . . . .

APPENDIX J
CITING LEGAL MATERIALS

When citing legal materials--for example, the United States Code, Public Laws, Comptroller General decisions--use the following formats:

1. UNITED STATES CODE. When citing the United States Code, give the title number, the name of the Code, the section number(s), and the year.

> 42 U.S.C. section 1983

2. PUBLIC LAWS. When citing Public Laws, give the name of the statute, the public law number, the section number(s), the page number of the Statutes at Large where the statute appears, and the year.

> National Environmental Policy Act of 1969, Pub. L. No. 91-190, 83 Stat. 852 (1970)

When citing only part of an act, include the relevant section, the page on which the act begins, and the page(s) on which the relevant section or subsection appears.

> National Environmental Policy Act of 1969, Pub. L. No. 91-190, section 102, 83 Stat. 852, 853-54 (1970)

3. LEGISLATIVE HISTORY. When citing House and Senate reports (legislative history), give the report number, the Congress number, the session number, the page number, and the year.

> H.R. REP. No. 253, 99th Cong., 1st Sess., 7 (1985)

When citing only part of a report, include the page on which the report begins and the page(s) on which the relevant information appears.

> H.R. REP. No. 253, 99th Cong., 1st Sess., 7, 9-11 (1985)

4. CODE OF FEDERAL REGULATIONS. When citing the Code of Federal Regulations, give the title of the regulation, the title number, the name of the Code, the section number(s), and the year.

> EPA Effluent Limitations Guidelines, 40 C.F.R. section 405.53 (1980)

5. PUBLISHED COMPTROLLER GENERAL DECISIONS. When citing a published Comptroller General decision, give the volume number, page number, and year issued.

> 62 Comp. Gen. 701 (1983)

When citing something particular within a Comptroller General decision, include the page number on which the decision begins and the page number(s) relevant to what you wish to cite.

62 Comp. Gen. 701, 705-06 (1983)

6. UNPUBLISHED COMPTROLLER GENERAL DECISIONS. When citing an unpublished Comptroller General decision, give the appropriate file number and date.

B-230774, 30 September 1983

7. ARMY REGULATIONS. When citing an Army regulation, give the number of the regulation. When citing a particular paragraph of the regulation, include the paragraph number and the subparagraph numbers, if applicable. (This same principle applies for all DOD regulations and manuals.)

AR 27-1, paragraph 5-2a.(1)

NOTE: If you are not citing the current edition of the regulation, include the date of the relevant edition.

AR 27-1, paragraph 5-2a.(1), 5 March 1979

8. FEDERAL ACQUISITION REGULATION. If generally referring to the Federal Acquisition Regulation, the citation may be "Federal Acquisition Regulation" or , "FAR." If the reference is to a specific part of the Federal Acquisition Regulation, the citation if "FAR Part 10."

If the reference is to a specific section of the Federal Acquisition Regulation, the citation is "FAR 3.104-11." If the reference is to an Army or DOD supplement, cite it this way: Army Supplement 246.770-4 (or other pertinent number) to the Federal Acquisition Regulation; DOD Supplement 246.770-8 (or other pertinent number) to the Federal Acquisition Regulation.

DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION 36-61 **30 June 1995**

Audit

TRANSMITTALS OF TENTATIVE FINDINGS AND RECOMMENDATIONS AND DRAFT AUDIT REPORTS

Purpose

References

Applicability

Policy

Procedures

Tentative Findings and Recommendations

Draft Audit Reports

Transmittal Documents

Coordination of Tentative Findings and Draft Reports

Appendix A - Sample Transmittal for Tentative Findings and Recommendations

Appendix B - Sample Transmittal for Tentative Findings and Recommendations Requiring Expedited Action

Appendix C - Sample Transmittal Memo for Draft Reports

1. PURPOSE. This regulation prescribes Agency policy on transmitting tentative findings and recommendations and draft audit reports.

2. REFERENCES

(a) AR 36-2, Audit Reports and Followup

(b) AR 36-5, Auditing Service in the Department of the Army

(c) USAAAR 36-52, Reporting Potential Monetary Benefits Attributable to USAAA Audits

(d) USAAAR 36-75, Auditor Responsibilities

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3. APPLICABILITY. The provisions of this regulation are applicable to all audits performed by the U.S. Army Audit Agency.

4. POLICY. Tentative findings and draft audit reports must be properly classified and protectively marked, as appropriate. In addition, draft reports must contain completion or target dates for corrective actions, the

audited activity's opinion on the estimated potential monetary benefits, and comments on why any repeat conditions continued to exist. Accordingly, documents transmitting tentative findings and draft audit reports will specifically ask that this information be furnished as part of the command reply, and also confirm any classification or protective markings used.

5. PROCEDURES

(a) Tentative findings and recommendations

(1) Written tentative findings and recommendations will be furnished to the audited activity so that all disputed matters may be resolved and corrective action can be initiated promptly as required by AR 36-5. In addition to providing tentative findings and recommendations to internal review, auditor should provide additional copies to command operating levels. Auditors should also request the activity to review the information in the findings and confirm any classification or protective markings used. Auditors-in-charge should contact the audited activity within 5 days of transmitting the TFAR to ensure receipt, provide any needed clarification and offer to provide assistance in order to expedite the reply.

(2) AR 36-5 requires that replies to tentative findings are to be in the format prescribed in AR 36-2. In addition to a statement of concurrence or nonconcurrence with the recommendations, the reply is to include the action taken or planned and should specify completion or target dates, as appropriate. AR 36-2 further requires that a statement of concurrence or nonconcurrence with the reasonableness of the estimated potential monetary benefits is also to be included in the reply. Because the reported amounts are estimates, command need not express agreement with the precise amounts reported. The objective is merely to reach general agreement that the estimates are reasonable.

(3) If the finding is a repeat of a condition previously reported, the command reply must also include the reasons why the condition continued to exist and the current status of corrective actions.

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(4) If the finding is time-sensitive and requires expedited handling, the transmittal document will highlight that fact and provide all the necessary details. Usually, the auditors will not have developed complete details of the problem, particularly cause and effect, and this limitation will be described in the transmittal document. Thus, recommendations like "stop acquisition" or "provide immediate interim guidance" can be made. Situations appropriate for this type of reporting include:

- Unjustified actions about to be taken.
- Waste of large sums of money.
- Illegal actions.
- Absence of essential internal management controls.
- The urgency of the situation, how receptive the audited activity is to the recommendations, and the level of command to which the report is addressed will determine the subsequent courses of action the auditors will need to take.

(a) The transmittal should request that command comment on the problem and on the recommendations within a specified number of days from the date of the memorandum. The number of days allowed may be fewer than prescribed in AR 36-5 and will depend on the criticality of the situation.

(b) If the audited activity does not agree that a problem exists or that the recommended actions should be taken, or the activity delays taking the corrective action or replying to the finding, or if the auditors cannot determine the activity's position, the matter should be elevated to the proper Agency and DA levels to get it resolved as quickly as necessary in the circumstances.

(c) The Auditor General may need to discuss some problems with the appropriate Assistant Secretary or the Vice Chief of Staff to get them resolved quickly. Therefore, any nonagreement with, or nonresponsiveness to, a finding should be reported as soon as possible to the appropriate Agency Headquarters level.

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(5) The Auditor General will sign the transmittal documents for findings addressed to the Secretary of the Army or Chief of Staff.

(6) Unless specifically withheld by the program director, transmittal documents on routine tentative findings and recommendations may be signed by the supervisor (or as delegated to the auditor-in-charge); however, DA-level tentative findings and recommendations will only be released after discussion and review by the program director.

(a) At a field site, transmittal documents will be on Agency letterhead stationery, and the authority line "FOR THE PROGRAM DIRECTOR" will be used.

(b) Transmittal documents prepared in Headquarters will be on Agency letterhead stationery and the authority line "FOR THE DEPUTY AUDITOR GENERAL" will be used when signed by the program director.

(c) Copies of all tentative findings and recommendation released to command will be forwarded to the appropriate program director when they are released.

(7) Appendix A contains a sample memorandum to be used as a guide when preparing normal transmittal documents. Appendix B contains a sample memorandum to be used when expedited action is required.

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(b) Draft audit reports

(1) Unless otherwise prescribed by the program director for a specific audit, the authority to release draft audit reports to command is as follows:

(a) The Auditor General will release draft audit reports addressed to the Secretary of the Army or Chief of Staff.

(b) Auditor supervisors are authorized to release draft audit reports.

(2) Transmittal documents should be tailored to each specific audit and therefore will contain certain data and information unique to that audit report. For example, if the audited activity did not agree with a recommendation in a tentative finding that is time-sensitive and we still believe that our original position is valid, special reporting may be necessary to promptly resolve the problem. When expedited action is called for, a one-finding draft report may be issued and Headquarters, DA Staff or Secretariat offices may need to get involved to mediate or adjudicate the difference of opinion. The transmittal should provide all the necessary details.

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(3) Transmittal documents will also contain the following common items or statements:

(a) The draft report is being provided in accordance with the provisions of AR 36-5.

(b) Command should review the paraphrasing of their comments included in the report, and should verify that the target dates for actions taken or planned which were previously furnished are still valid.

(c) Command should also confirm any classification or protective markings used on the draft audit report.

(d) A copy of the USAAA Form 328, Potential Monetary Benefits, marked "DRAFT," is being furnished for command's information and comment. The transmitting correspondence will state that the draft Form 328 is not considered final until the final audit report is signed.

(4) A sample transmittal document for draft audit reports is at Appendix C.

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(c) Transmittal documents. Normally, tentative findings and recommendations and draft audit reports will be transmitted by formal memorandums addressed to and hand-carried to the audited command or activity. If this is not feasible, electronic transmissions may be used.

(d) **Coordination of tentative findings and draft audit reports**. Responsible Agency personnel should discuss any finding addressed to the HQDA with HQDA personnel prior to officially transmitting it. All tentative findings and draft audit reports addressed to the HQDA level will be coordinated with the appropriate program director. The name and title of the person the tentative finding was discussed with should be stated in the transmitting memorandum.

FOR THE ACTING DIRECTOR:

LARRY R. SILER
Associate Director
Policy and Programs Division

THE PROPONENT OF THIS REGULATION IS THE DIRECTORATE OF AUDIT POLICY, PLANS AND RESOURCES. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PRP.

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APPENDIX A

SAMPLE TRANSMITTAL MEMORANDUM FOR TENTATIVE FINDINGS AND RECOMMENDATIONS

MEMORANDUM FOR Commander, Fort Desolate, ATTN: Internal Review

Office, Fort Desolate, USA XXXXX-XX

SUBJECT: Tentative Findings and Recommendation_____, Audit of _____

1. Enclosed is tentative finding and recommendation_____ developed during the ongoing audit of _____. The finding titled_____ has been discussed with (name(s), title(s) and is being transmitted for your comments in accordance with AR 36-5. A copy of the related draft potential monetary benefit report (USAAA Form 328) is also enclosed).

2. Please review the information in this finding and provide written comments within the 30-day period prescribed by AR 36-5 on the reported facts, conclusions, recommendations, and the reasonableness of the potential monetary benefits estimated in the amount of _____ which may be realized upon implementing the recommendations. If you agree with the recommendations, please outline the corrective actions taken or planned as well as the actual or target dates for the actions. Also include any alternatives to our recommendations if you believe there are better ways to solve the problems discussed in the tentative finding. If you submit alternatives, please include your estimates of the potential benefits to be realized from these alternative actions, and target dates for their completion.

3. The reply should be returned to this office in the format shown in AR 36-2. If you have any questions, please contact me at _____.

(Appropriate authority line)

(Applicable signature block)

Enclosure(s)

***Additional paragraph when appropriate:**

3. Also, please provide confirmation as to the classification (or protective markings) shown on the finding.

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APPENDIX B

SAMPLE TRANSMITTAL MEMORANDUM FOR TENTATIVE FINDINGS AND RECOMMENDATIONS REQUIRING EXPEDITED ACTION

MEMORANDUM FOR Commander, Fort Desolate, ATTN: Internal Review Office,

Fort Desolate, USA XXXXX-XX

SUBJECT: Tentative Findings and Recommendation_____, Audit of _____

1. Enclosed is tentative finding and recommendation_____ developed during the ongoing audit of _____ which requires your immediate attention to preclude a potentially (costly and) adverse situation. The finding titled_____ has been discussed with (name(s), title(s) and is being transmitted for your comments in accordance with AR 36-5. (A copy of the related draft potential monetary benefit report (USAAA Form 328) is also enclosed, but is only a rough estimate of the benefits to be obtained. A revised, more complete estimate will be furnished later.) Also, the finding does not necessarily include all of the weaknesses in internal controls that allowed this condition to exist. These will be developed as the audit progresses.

2. Please review the information in this finding and provide written comments within 5 working days on the reported facts, conclusions, recommendations, (and the reasonableness of the potential monetary benefits estimated in the amount of _____ which may be realized upon implementing the recommendations). Although AR 36-5 normally allows 30 days for you to reply, this expedited processing is needed to allow sufficient time to resolve any differences that might exist before (the contract is to be awarded on _____). If you agree with the recommendations, please outline the corrective actions taken or planned as well as the actual or target dates for the actions.

*

3. The reply should be returned to this office in the format shown in AR 36-2. If you have any questions, please contact me at _____.

(Appropriate authority line)

(Applicable signature block)

Enclosure(s)

*Additional paragraph when appropriate:

3. Also, please provide confirmation as to the classification (or protective markings) shown on the finding.

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APPENDIX C

SAMPLE TRANSMITTAL MEMORANDUM FOR DRAFT REPORTS

MEMORANDUM FOR Commander, Fort Desolate, ATTN: Internal Review Office,

Fort Desolate, USA XXXXX-XX

SUBJECT: Draft Report on the Audit of _____

1. Enclosed is a copy of the draft report on the subject audit performed pursuant to AR 36-5.

2. The findings and recommendations were submitted to your command in tentative form for review and comment during the audit. The comments we received have been summarized and incorporated into the draft report. Please review our paraphrasing of the replies and see if we have presented and evaluated them fairly.

3. Also, please review once again the reported facts, observations, conclusion, recommendations, target dates for actions planned, and the reasonableness of the potential monetary benefits shown on the enclosed USAAA Form 328. The USAAA Form 328 is a draft that is not considered final until the final audit report is signed.

*

4. These, and any other matters that you deem appropriate concerning the subject audit, may be discussed at the exit conference scheduled for _____.

5. Copies of subject draft report are also being provided to _____.

6. The point of contact for this draft report is _____, phone _____.

(Appropriate authority line)

(Applicable signature block)

Enclosure

***Additional paragraph when appropriate:**

4. We also request confirmation of the classification (or protective markings) applied to the draft report. These comments should also point out any operations security information that needs to be protected. These comments may be provided to the audit staff at the exit conference.

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DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION 36-62 **29 February 1996**

Audit

QUALITY ASSURANCE PROGRAM AND EXTERNAL QUALITY CONTROL REVIEW RESPONSIBILITIES

Purpose and Scope
References and Related Publications
Definitions
Background
Policy
Responsibilities
General Procedures
APPENDIX A - Internal Quality Control Review Checklist (Abbreviated)
APPENDIX B - Internal Quality Control Review Checklist (Expanded)

1. PURPOSE AND SCOPE. This regulation establishes policies, procedures, and responsibilities for conducting the Quality Assurance Program within the U.S. Army Audit Agency (the Agency). It applies to internal quality control reviews of all services performed by or for the Agency. The regulation also defines the Agency's responsibilities for conducting external quality control reviews.

2. REFERENCES AND RELATED PUBLICATIONS

a. Government Auditing Standards, 1994 Revision.

b. President's Council on Integrity and Efficiency, Guide for Conducting External Quality Control Reviews of the Audit Operations of Offices of Inspector General, April 1992.

c. DOD Directive 7600.2, Audit Policies, February 1991.

d. DOD 7600.7-M Internal Audit Manual, June 1990, Chapter 14, Quality Assurance Programs.

e. USAAA Regulation 36-52, Reporting Potential Monetary Benefits Attributable to USAAA Audits.

f. USAAA Regulation 36-72, Audit Working Papers.

g. USAAA Regulation 36-75, Auditor Responsibilities.

h. USAAA Regulation 36-85, Independent Report Referencing.

3. DEFINITIONS

a. **Internal Quality Control System**. Operating policies and procedures established by the Agency to provide reasonable assurance that it: (i) has established, and is following, adequate policies and procedures for audit and non-audit projects and (ii) has adopted, and is following, applicable auditing standards.

b. **Quality Assurance Program**. An evaluation program designed to ensure that Agency operations (i) adhere to government auditing standards, DOD guidance, and Army policies and procedures, (ii) conform to internal regulations and guidance, and (iii) are carried out economically, efficiently, and effectively. The Agency's internal quality control system established to carry out the quality assurance program for audit and consulting projects consists of four components: supervision, independent referencing, internal quality control reviews, and external quality control reviews.

c. **Supervision**. A continuing process of review to make sure responsible personnel plan, control, direct, conduct, and complete their audit and consulting assignments in accordance with government auditing standards.

d. **Independent Referencing**. A quality control measure designed to ensure that reports objectively and accurately communicate the results of the audit or consulting engagement. An auditor not associated with the assignment -- the independent referencer -- reviews a cross-referenced copy of the draft report (and final report, if necessary) and verifies that the information contained in the report is correct and supported in the working papers. USAAA Regulation 36-85, Independent Report Referencing, fully addresses this quality control measure.

e. **Internal Quality Control Review**. A periodic evaluation of the effectiveness of the Agency's policies and procedures in accomplishing selected audits, consulting engagements, organizational functions, and internal processes in a competent and efficient manner. An independent element within the Agency conducts these reviews.

f. **External Quality Control Review**. A quality control review conducted by groups external to the audit organization. The Office of the Assistant Inspector General, Policy and Oversight, DOD; the General Accounting Office (GAO); and the House Appropriations Committee's Surveys and Investigations Staff, among others, can conduct external quality control reviews of the Agency. The Agency also has an external quality control review responsibility and conducts periodic peer reviews of Army Internal Review and Audit Compliance offices and the Audit Division of the Army and Air Force Exchange Service.

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4. BACKGROUND

a. The 1994 revision of the government auditing standards continued the requirement for government audit organizations to have an internal quality control system in place and

participate in an external quality control review program. The June 1990 DOD Internal Audit Manual and DOD Directive 7600.2, Audit Policies, require each internal audit organization to establish a quality assurance program. The program, which expands on the Comptroller General requirements, requires both internal and external quality control reviews.

b. To maintain the confidence and trust of Army management, the Congress, and private citizens, Agency auditors should provide objective, reliable, timely, and professional products. The value of the services provided by Agency auditors relates directly to the quality of the work they perform. In addition, the professionalism of Agency auditors is critical to acceptance and use of their work by Army managers in improving and strengthening Army programs and operations. A strong and viable quality assurance program is essential to ensure the quality and professionalism of the Agency's products.

5. POLICY

a. **Quality Assurance Program**. The Agency has established and will continue to maintain a viable and effective Quality Assurance Program that provides reasonable assurance that Agency auditors comply with generally accepted government auditing standards.

b. **Supervision**. Supervisors at all levels will continuously review the conduct of audits and audit-related work and take appropriate action to ensure that auditors maintain a high degree of quality and professionalism, and that they perform work in accordance with the standards.

c. **Quality Control Reviews**. Agency auditors will conduct internal quality control reviews and external quality control reviews in the same manner as internal audits. They will make these reviews with a frequency that ensures those organizational elements of the Agency engaged in audits or audit-related work, and the internal review and military exchange audit communities, adhere to the standards.

6. RESPONSIBILITIES

a. **Deputy Auditor General, Policy and Operations Management**. The Deputy has responsibility for the Agency's Quality Assurance Program. The responsibility includes:

- Conducting internal quality control reviews of the Agency.

- Representing the Agency on external quality control reviews of the Agency.

Within the Deputy's Programs and Audit Support Office is the Quality Assurance Branch. This Branch has permanently assigned auditor resources for conducting internal quality control reviews. On request, the Program Director, Planning and Resource Management will provide, on a temporary basis, highly qualified auditors and other subject matter experts to assist Quality Assurance Branch personnel in performing reviews. The Branch Chief has supervisory responsibility over temporarily assigned personnel.

(1) For external reviews of areas that the Deputy Auditor General, Policy and Operations Management has responsibility for, Quality Assurance Branch personnel will prepare or coordinate replies to findings and reports directed to

the Agency. The Deputy may task Deputy Auditors General for Audit, Program Directors, or Field Office Managers involved in the reviews to provide data or other input necessary to prepare the replies. The Deputy will keep The Auditor General informed of all scheduled reviews and report on the status of all ongoing reviews. A Quality Assurance Branch representative will attend all entrance and exit conferences for external reviews.

(2) Quality Assurance Branch personnel annually will prepare an updated 3-year schedule of internal quality control reviews. Resources permitting, Branch personnel will cover some operational aspect(s) of all four Deputy Auditors General at least once during the 3-year period. In preparing the schedule, Branch personnel will fully consider ongoing and planned external reviews to preclude duplication.

(3) For all recommendations agreed to by the Agency from both internal and external reviews, Quality Assurance Branch personnel will monitor corrective action to ensure implementation. The Deputy Auditor General, Policy and Operations Management is responsible for prompt implementation of any recommendations from either external or internal reviews that deal with policy and operations management matters. The DOD Inspector General will follow up on external quality control reviews containing recommendations to the Agency in accordance with procedures used for regular audits.

b. Deputy Auditors General for Audit. Deputy Auditors General for Audit are responsible for making sure supervisors adequately oversee the conduct of all audits and audit-related work, and produce high quality Agency products. The Deputies or one of their Program Directors will sign a completed Internal Quality Control Review Checklist (Abbreviated) (see Appendix A) for every audit or consulting engagement thereby attesting their auditors performed the work in accordance with generally accepted government auditing standards. The Deputies are also responsible to make sure that agreed-to recommendations made to them as part of internal quality control reviews or external quality control reviews are implemented as quickly as possible.

c. Deputy Auditor General, Acquisition and Force Management Audits. The Deputy is also responsible for the external quality control reviews the Agency makes of the Audit Division of the Army and Air Force Exchange Service. SAAG-PMF will follow up on external quality control reviews conducted by the Agency.

d. Deputy Auditor General, Financial Audits. The Deputy is also responsible for the external quality control reviews the Agency makes of Army Internal Review and Audit Compliance offices. SAAG-PMF will follow up on external quality control reviews conducted by the Agency.

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7. GENERAL PROCEDURES

a. **Audit Supervision**. Proper supervision of assignments is the most important element of an effective quality assurance program. To supervise subordinate employees effectively, supervisors must involve themselves in every phase of an audit or consulting engagement from planning to the final report. The degree of supervision on various assigned tasks is a matter of professional judgment. Supervisors should directly relate the degree of supervision to the abilities of the auditor. Supervisors should review progress periodically on assignments to determine whether areas are on schedule and executed in accordance with plans and standards. USAAA Regulation 36-75, Auditor Responsibilities, contains specific responsibilities of supervisors in managing and conducting jobs.

b. **Internal Quality Control Reviews**

(1) Quality Assurance Branch personnel will make periodic internal quality control reviews of selected audit and consulting projects. Branch personnel will structure these reviews to evaluate compliance with generally accepted government auditing standards. Branch personnel will also review management-related issues such as budget formulation and execution, training, travel, payroll, security, and automation support on a functional basis. Depending on the priorities established by The Auditor General, the 3-year plan will normally include a mix of audit and non-audit projects. All Agency activities and functions are subject to internal quality control reviews except for special access programs. (Special access programs are subject to external quality control reviews.) Resources permitting, Branch personnel will review some operational aspect(s) of all four Deputy Auditors General at least once within the 3-year period. To preclude duplication, Branch personnel will coordinate with external oversight organizations.

(2) At Appendix B is the checklist for Agency review teams to use in conducting internal quality control reviews of audit and consulting projects. The checklist contains the identical questions that are in Appendix A. However, the majority of the questions in the Appendix B checklist have sub-steps designed to lead review team members to the documentation they need to draw their conclusions. Auditors-in-charge and supervisors, through the conduct of the audit and regularly required reviews, should already know what documentation is available to support their conclusions and therefore, the Agency does not require them to answer the substeps. The conclusions, however, must withstand the application of the Appendix B checklist. Quality Assurance Branch personnel will have similar checklists developed for conducting functional reviews of various management-related issues. Branch personnel may use various subject matter experts in preparing checklists. The Deputy Auditor General, Policy and Operations Management still has overall responsibility for approving checklists and planning and conducting reviews. The Deputy, in coordination with the Program Director, Planning and Resource Management, will select those personnel needed to supplement the internal quality control review function. The Agency will need skilled personnel to participate in reviews and prepare checklists or audit programs.

(3) Quality Assurance Branch personnel will maintain an inventory of potential review subjects. Branch personnel will prepare a 3-year review plan and update it annually.

(4) During internal quality control reviews, the Agency review team will evaluate projects to determine the adequacy and effectiveness of the work done and make sure it conforms to Agency policies and procedures and government auditing standards where applicable. For a typical internal quality control review, the review team will contact the applicable Deputy Auditor General, Program Director, and Audit Manager and make arrangements for an entrance conference to advise them of the review objectives, scope, and length of review. The team may visit multiple sites depending on the scope of the review. During the visits, the team will evaluate the adequacy of the area(s) they are reviewing and determine whether improvements are necessary. The team will discuss results with appropriate personnel as the review progresses. After the team completes all the work, the team will discuss its overall conclusions at an exit conference with senior officials.

(5) The Agency will use memorandum reports to convey the results of internal quality control reviews. For every review performed, the review team will prepare and staff a draft memorandum report with the appropriate management officials regardless of whether or not they found problems. The team will make review recommendations to management if they find significant problems, or suggested actions if they note minor problems. Management will have 30 calendar days to provide their official reply. The review team will make necessary editorial changes but otherwise include management's comments to recommendations and suggested actions in their entirety. However, the team will only include a brief summary of management comments in reports without recommendations or suggested actions.

(6) The team will adhere to government auditing standards in performing internal quality control reviews. The team will document all conditions found during the review and prepare working papers in accordance with USAAA Regulation 36-72, Audit Working Papers. They will issue a report on each quality control review. As required by the DOD Internal Audit Manual, the team will retain working papers for 3 years from the date of the final report. The working papers are subject to review by external quality control review teams.

(7) For each internal quality control review report, the team and management will make every effort to resolve disagreements on facts, conclusions, or recommendations before elevating the disagreements to a higher level for resolution. If the Deputy Auditor General, Policy and Operations Management and the appropriate Deputy Auditor General for Audit cannot resolve the disagreement (mediation), then The Auditor General will resolve the disagreement (adjudication). To initiate the adjudication of an unresolved issue,

the review team will send a memorandum signed by the Deputy Auditor General, Policy and Operations Management to The Auditor General requesting adjudication. The review team will provide The Auditor General a copy of management's unedited comments, a copy of the report, and any additional materials deemed appropriate. The Auditor General will make the final decision in writing and the team will retain the decision in the working papers.

(8) Quality Assurance Branch personnel will track recommendations until fully implemented or otherwise satisfactorily resolved. If Branch personnel determine management has not taken adequate corrective actions, they will bring the situation to management's attention. If management declines to take corrective actions to resolve problems, Branch personnel will inform the Deputy Auditor General, Policy and Operations Management. The Deputy will first contact the appropriate Deputy Auditor General for Audit and try to resolve the situation. If the parties cannot reach agreement, the Deputy Auditor General, Policy and Operations Management will inform The Auditor General in writing. The Deputy will include suggestions on how to resolve the situation and whether or not to initiate a followup review. The Auditor General will decide what action to take.

c. **External Quality Control Reviews**

(1) The Office of the Deputy Auditor General, Policy and Operations Management -- specifically, the Quality Assurance Branch, is the point of contact for all external quality control reviews of the Agency. In that capacity, Quality Assurance Branch personnel will arrange entrance and exit conferences, coordinate external team visits, obtain requested information, disseminate the results of the review, and prepare or coordinate the Agency's replies to these reports. In some instances, Deputy Auditors General or other Activity Chiefs will be responsible for responding directly to external oversight organizations for reviews and requests for information that relate to their areas of responsibility. In those instances, the Deputies or other Activity Chiefs will provide copies of those responses to the Quality Assurance Branch.

(2) Quality Assurance Branch personnel will track the status of corrective actions on those recommendations agreed to by the Agency. As requested by upper level management, Branch personnel will prepare a report on the status of corrective actions. In preparing the report, Branch personnel will, to the extent necessary, verify that management has taken proposed corrective actions.

(3) Office of the Deputy Auditor General, Acquisition and Force Management Audits personnel will make sure external quality control reviews of the Audit Division of the Army and Air Force Exchange Service are done. And, Office of the Deputy Auditor General, Financial Audits personnel will make sure external quality control reviews of Army Internal Review and Audit Compliance offices are done. Auditors must perform these reviews in accordance with government auditing standards. The Agency encourages including applicable steps from

Appendix B in developing audit programs for these reviews. The auditors must also use the Agency's standard reporting procedures to convey the results of these external reviews. SAAG-PMF will track the implementation of recommendations in accordance with established Army procedures.

FOR THE DEPUTY AUDITOR GENERAL:

/s/ Paul L. McGee for
JARED E. WISOR
Program Director
Programs and Audit Support

THE PROPONENT OF THIS REGULATION IS THE OFFICE OF THE DEPUTY AUDITOR GENERAL, POLICY AND OPERATIONS MANAGEMENT. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PMA-Q.

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APPENDIX A

INTERNAL QUALITY CONTROL REVIEW CHECKLIST (ABBREVIATED)

Project Title_____

Assignment Number_____

Auditor-in-Charge (AIC)_____

AIC's Supervisor (SPV)_____

The AIC and supervisor of the project, regardless of their level in the organization, will complete this checklist and retain it with a copy of the report in the working papers. The Agency developed this checklist to cover a typical single location, appropriated fund performance audit. On multilocation audits, financial audits, nonappropriated fund audits, special audits, or consulting engagements, the basic principles behind the questions in the checklist remain the same. However, the preparers of the checklist must determine which questions apply or need to be modified to accommodate the circumstances under which they conducted the audit. This is especially true for reviews of consulting engagements which by their very nature may result in many "not applicable" responses. The Agency based the questions in the checklist on generally accepted government auditing standards, DOD guidance, and Army Audit Agency policy.

Organizationally, the checklist is set up to parallel the audit process with separate sections on planning, audit execution, and the report process. AIC's and their supervisors must document their quality control reviews by initialing and dating the checklist. Working paper references may be to individual working papers or working paper summaries as long as the summaries can be traced to source working papers.

They should do this as soon as they complete the work for each phase of the audit. Initials indicate a positive response for the steps accomplished. An N/A mark means the step is not applicable. No initials indicate a negative response and require an explanation.

At Appendix B is the "Audit Project Review" program used by the Agency's quality control review team for conducting quality assurance reviews of selected audits. Appendix B contains the identical quality control questions as Appendix A. However, the program used by the review team contains substeps for the majority of the questions. The Agency designed the substeps to obtain the detail necessary to verify the validity of the quality control review checklist completed as part of the audit.

There is a signature block at the end of the checklist. Either the Deputy Auditor General or one of their Program Directors may make the mandatory signature unless the Program Director was the AIC or level 2 supervisor. The Deputy Auditor General must sign if the Program Director was the AIC or level 2 supervisor. Signature by the Deputy Auditor General or the Program Director, indicates that they have reviewed the report and associated checklist and nothing has come to their attention which would indicate that the auditors did not conduct the audit in accordance with generally accepted government auditing standards.

Go to Section A - PLANNING
Go to Section B - AUDIT EXECUTION
Go to Section C - REPORT PROCESS

****Template for Appendix A**** (Press here to retrieve a template version of the Appendix A checklist for actual use.)
To copy this opened template to your personal template files follow these steps:
1. Select "File"
2. Select "Save As File"
3. Select "Save in:" C:\AAA Support Files\Templates\Audit Working Papers\
4. Give "File Name:" Appendix A USAAAR 36-62.dot
5. Select "Save" (A copy of the template will be stored at this designated file location.)

QUALITY CONTROL REVIEW STEP	AIC	SPV	COMMENTS/ WORKPAPER REFERENCE

A - PLANNING			
1. General			
a. Were audit background files, program guidance documents, USAAA audit circulars, and working papers from prior audits obtained and reviewed prior to the start of the audit, if they were available?			
b. Were USAAA followup reports, and DAIG investigation and inspection reports reviewed?			
c. Were prior GAO, DODIG, Internal Review, and USAAA audit reports reviewed?			
d. Were the audit objectives properly formulated?			
2. Planning Meeting			
a. Was a planning meeting held to discuss the audit at about two weeks prior to the entrance conference or work start date?			
b. Were the minutes of the planning meeting, and a list of the members present, documented in the working papers?			
3. Entrance Conference			
a. Was the entrance conference properly planned?			
b. Was an entrance conference memorandum prepared after the meeting?			
4. Coordination			
a. Were local internal review, provost marshal, IG, and CID personnel contacted to determine whether there were prior or ongoing audits, investigations, or crime prevention surveys?			
b. Was appropriate coordination established with GAO, DAIG and DODIG to prevent duplication?			
5. Followup on Prior Reports			
a. If prior reports had been issued, were appropriate tests designed and conducted to determine whether the problem areas had been corrected?			

b. If the same basic condition and cause existed as in the prior AAA report, was the area reported as a repeat finding?			
6. Gathering Background Data			
a. Was sufficient background data obtained early in the audit to identify significant audit areas and plan the rest of the audit?			
b. Was the data analyzed in sufficient detail to prepare the audit program?			

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QUALITY CONTROL REVIEW STEP	AIC	SPV	COMMENTS/ WORKPAPER REFERENCE
B - AUDIT EXECUTION			
1. Early Analyses			
a. Were preliminary audit programs written to cover the basic analyses and data needed to decide to pursue the audit objectives?			
b. Was a thorough examination made of internal control procedures in order to evaluate the effectiveness of key management controls as they relate to the program, function, or entity being audited?			
c. Did the audit team:			
- Identify key management controls for each area addressed by the objectives?			
- Perform limited tests of the controls and adequately document the tests?			
- Summarize the results and tentative conclusions on a management control evaluation worksheet?			

d. For those audits where auditors planned to use computerized data on the audit, was the validity of the data verified?

e. Were compliance issues properly evaluated?

f. Was appropriate consideration given to using advanced audit techniques?

g. Was the use of technical experts given appropriate consideration
for areas requiring specialized skills?

2. Go/No-Go Decisions

a. Were go/no-go decisions for each objective made in a timely manner
as needed throughout the audit?

b. Was the decision to continue or stop work on each objective adequately documented in the working papers, and did the AIC keep the client informed when the decision was made?

c. Were important audit related matters evaluated adequately at these decision points and documented in the working papers?

d. Were key administrative matters evaluated at these decision points?

3. Audit Programs

a. Were audit programs written for each area and written in sufficient detail to evaluate the area under review and answer the audit objectives?

b. Did the audit team pursue potential key management control weaknesses by incorporating steps in the audit program, and were resulting conclusions adequately supported and did they tie to findings and other reporting requirements as applicable?

c. Were the audit programs revised as the auditors' learning curve progressed?

4. Data Gathering and Analysis

a. Was sufficient evidence obtained to support the conclusions drawn

in the working papers and the report?			
b. Were sufficient tests and analyses made to ensure that data used on the audit was accurate and reliable?			
5. Working Papers			
a. Were the working paper files logically organized?			
b. Was each file numbered and indexed in accordance with Appendix C of USAAA Regulation 36-72, Audit Working Papers?			
c. Were the working papers properly prepared and cross-referenced?			
d. Were working paper files thoroughly reviewed, did they contain approved finding outlines, and were the working papers adequately explained and presented?			
6. Command Relations			
a. Was command kept informed during the audit?			
b. Was command provided an information paper after the operating level was briefed on audit results?			
c. Was the audit completed and the draft report issued in a timely manner?			
d. Were reasonable attempts made to convince command of the merits of implementing the recommendations?			
7. Supervisory Controls			
a. Did the AIC provide adequate supervision to subordinates?			
b. Did the AIC identify, conduct, and document OJT for trainee auditors?			
c. Did the supervisor provide adequate supervision to subordinates?			
d. Was sufficient supervisory control maintained to ensure compliance with government auditing standards and to ensure the			

timely completion of the audit? e. Did the AIC and supervisor review and approve the TFAR outline before the auditor formally wrote the TFAR? f. Were the AIC and supervisor sufficiently involved with the writing and staffing of findings? g. Did the AIC and supervisor ensure that all agreements reached with command subsequent to the receipt of replies to the findings (prior to or at the exit conference) were adequately documented in the working papers?			

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QUALITY CONTROL REVIEW STEP	SPV	COMMENTS/ WORKPAPER REFERENCE
C - REPORT PROCESS **1. Independent Report Referencing** a. Was a copy of the draft audit report (and final report, if necessary) cross-referenced to the audit working papers and were the audit working papers properly assembled, indexed and reviewed before giving the draft (or final) report to the independent referencer? b. Was an independent referencer assigned in a timely manner? c. Was the editor's first review and the level 2 supervisor's or program director's technical review concurrent with the independent referencer's review? d. Did the independent referencer properly complete the referencing prior to issuing the draft audit report to include all substantive changes made to the draft report as a result of editor, level 2 supervisor or program director concurrent reviews? (Also, were significant changes to the final report independently referenced?) e. Was there evidence that the referencer checked all facts and figures in the draft audit report against the supporting working papers and not just to working paper summaries? f. Was there a Certification Document (USAAA Form 371) signed by the independent referencer and the level 2 supervisor assigned to the		

audit under review?

2. Transmittal Letter

a. Was the audit report transmittal letter prepared in accordance with USAAAR 36-53?

b. Was it addressed to and signed by the appropriate person?

3. Summary and General Information

a. Were the objectives, scope, and methodology written in accordance with USAAAR 36-53?

b. Were the observations and conclusions logical and consistent?

c. Were mission and resources properly presented?

d. Was command's reaction accurately presented?

4. Findings, Recommendations, and Comments

a. Were the findings and recommendations properly written, organized and supported?

b. Did command comments include all the required information and did the synopsis of command's position accurately reflect their verbatim comments?

c. Did the USAAA evaluation adequately counter the issues raised by command in their comments?

5. Annexes, Graphs, and Charts

a. Did the report distribution annex include all the required activities that would likely have an interest in the report?

b. Were verbatim command comments included as an Annex in the report?

c. Were all the other annexes, graphs and charts in the report necessary; clear, concise and accurate; appropriately labeled and footnoted; and properly referenced in the report?

6. Potential Monetary Benefits

a. Were the USAAA Forms 328 and 328A consistent with the report?

b. Were potential monetary benefits properly computed and supported?

c. Did the USAAA Form 328A adequately identify to the extent possible

the source of funds (appropriation, management decision (MDEP), and budget activity/program element)?		
7. Timeliness of Reporting		
a. Was the final report issued within the time allowed after the draft report was issued to command? If not, was the delay justified?		
b. Were the transactions reviewed current at the time of the audit?		
8. Editorial Review		
a. Was the final report sent to and reviewed by the editor?		
b. Were the editor's comments included in the final report, where practical?		

STATEMENT ON REVIEW OF CHECKLIST AND AUDIT REPORT:

I have reviewed the completed checklist and the audit report and nothing has come to my attention which would indicate the auditors did not conduct the audit in accordance with generally accepted government auditing standards.

_____ _____

Signature of Deputy Auditor General or Program Director Date

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APPENDIX B

INTERNAL QUALITY CONTROL REVIEW CHECKLIST (EXPANDED)

REPORT NO. AND TITLE

_____

Go to Section A - PLANNING
Go to Section B - AUDIT EXECUTION
Go to Section C - REPORT PROCESS

****Template for Appendix B**** (Press here to retrieve a template version of the Appendix B checklist for actual use.) To copy this opened template to your personal template files follow these steps:

1. Select "File"
2. Select "Save As File"

3. Select "Save in:" C:\AAA Support Files\Templates\Audit Working Papers\
4. Give "File Name:" Appendix B USAAAR 36-62.dot
5. Select "Save" (A copy of the template will be stored at this designated file location.)

AUDIT PROJECT REVIEW STEP	RESPONSE (YES-NO-NA)	COMMENTS/ WORKPAPER REFERENCE
A - PLANNING		
1. General		
a. Were audit background files, program guidance documents, USAAA audit circulars, and working papers from prior audits obtained and reviewed prior to the start of the audit, if they were available?		
b. Were USAAA followup reports, and DAIG investigation and inspection reports reviewed?		
c. Were prior GAO, DODIG, Internal Review, and USAAA audit reports reviewed?		
d. Were the audit objectives properly formulated?		
(1) Were they limited to the most important and significant areas?		
(2) Were they based on audit suggestions, workload surveys, prior audit reports, program guidance documents, Agency regulations or other relevant sources of information?		
(3) Were the audit objectives carried through to the final report, allowing for some minor adjustments?		
2. Planning Meeting		
a. Was a planning meeting held to discuss the audit at about two weeks prior to the entrance conference or work start date?		
b. Were the minutes of the planning meeting, and a list of the members present, documented in the working papers?		
3. Entrance Conference		
a. Was the entrance conference properly planned?		

(1) Was there documentation to show that command was notified about the planned entrance?

(2) Did the notification present the audit objectives?

b. Was an entrance conference memorandum prepared after the meeting?

(1) Did it include full details on command comments, reactions, suggestions, and a list of attendees?

(2) Were audit and reporting procedures discussed?

(3) Were arrangements made for future update briefings to command in order to establish dialogue and keep them informed?

(4) Were tentative timeframes discussed?

(5) Was the highest AAA representative of reasonably equivalent rank to the highest command representative?

(6) Were key operating personnel present?

(7) Were administrative and support requirements discussed?

(8) Were command's comments solicited with respect to areas of special emphasis for the audit?

(9) Was an engagement letter prepared (for consulting services) that outlines what is to be done and when?

4. Coordination

a. Were local internal review, provost marshal, IG and CID personnel contacted to determine whether there were prior or ongoing audits, investigations, or crime prevention surveys?

(1) Were appropriate steps taken to avoid unnecessary
duplication with any planned or ongoing audits?

(2) Were problem areas or leads developed by these organizations appropriately considered in the design

of the audit?

b. Was appropriate coordination established with GAO, DAIG, and DODIG to prevent duplication?

5. Followup on Prior Reports

a. If prior reports had been issued, were appropriate tests designed and conducted to determine whether the problem areas had been corrected?

b. If the same basic condition and cause existed as in a prior AAA report, was the area reported as a repeat finding?

6. Gathering Background Data

a. Was sufficient background data obtained early in the audit to identify significant audit areas and plan the rest of the audit? Did the auditors, where appropriate:

(1) Obtain copies of mission and function statements, policies,
directives, and standing operating procedures to understand the mission and goals and see how management plans to accomplish the goals?

(2) Determine whether command had planned any reorganizations or changes to goals and missions?

(3) Obtain information on past, current, and planned management studies, Inspector General reports, internal audit reports and other reports applicable to the area to be audited?

(4) Use these reports to help shape the scope of the audit?

(5) Obtain organization charts and position descriptions to determine how the activity was organized, who key personnel were, and how responsibilities and duties were assigned?

(6) Determine working relationships which existed among functional elements and their interfacing organizations?

(7) Tour the facilities, obtain a briefing about each

function and document the location, purpose, and size of any field offices?

(8) Hold discussions with top organization officials and contact middle-management operating and technical personnel to obtain their concerns about and understanding of organizational operations and procedures?

(9) Determine if the span of supervisory controls within the audited activity permitted adequate direction of work?

(10) Obtain an index of all activity management reports (manual and automated)?

(11) Use selected management reports as a basis for trend analyses as to how well mission objectives and goals were achieved and to determine material and significant areas?

(12) Ask managers, if they did not receive management reports, how they monitored their operation?

(13) Determine from personnel staffing documents the number of employees (authorized and on-board) and where they are assigned?

(14) Document the value and location of physical assets owned or used by the activity?

(15) Obtain financial information which included areas of large expenditures; various levels of approving authority; month-to-month tabulations of budgeted and actual expenditures; types of cost by operating periods; and prior year, current, and forecasted budgets?

(16) Document and evaluate internal controls and how operations were actually performed?

(17) For financial audits, test or verify a representative number of financial statement account balances?

(18) Trace a few specific transactions through the system to obtain practical insight into operations and test the adequacy of operations? (19) Select the sample in such a way so that if significant problems were identified, the sample test could be expanded? (20) Evaluate the use of advanced audit techniques discussed in USAAA Regulation 36-101 to assist in answering the audit objectives, and coordinate their use with the Programs and Audit Support Office, when appropriate? (21) Determine what automated systems were involved in the areas being audited and the best way to use them to identify problems? (22) Obtain additional sources of information that may show indications of potential problem areas such as: ● Charts used in briefings? ● Activity's management control checklists? ● Informal management reports? ● Semiannual management control reports? ● Prior special reports? ● Correspondence or other documents indicating concerns of management and operating personnel? b. Was the data analyzed in sufficient detail to prepare the audit program?		

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AUDIT PROJECT REVIEW STEP	RESPONSE (YES-NO-NA)	COMMENTS/ WORKPAPER REFERENCE

B - AUDIT EXECUTION **1. Early Analyses** a. Were preliminary audit programs written to cover the basic analyses and data needed to decide to pursue the audit objectives? b. Was a thorough examination made of internal control procedures in order to evaluate the effectiveness of key management controls as they relate to the program, function, or entity being audited? c. Did the audit team: ● Identify key management controls for each area addressed by the objectives? ● Perform limited tests of the controls and adequately document the tests? ● Summarize the results and tentative conclusions on a management control evaluation worksheet? d. For those audits where auditors planned to use computerized data on the audit, was the validity of the data verified? (1) When the reliability of the computer based system was the primary objective of the audit, answer the following steps. (a) Were general controls reviewed? Basic areas that auditors should have reviewed include: 1 Was the plan of organization and methods and procedures for overall computer operations adequate? 2 Were the controls designed in compliance with management direction and applicable laws and regulations? 3 Were controls operating effectively? 4 Did the auditors determine that: ● Accountability was established? ● Duties were segregated? ● Personnel were qualified? ● Security procedures were adequate? ● Error checking procedures were built in and operating? (b) Were application controls reviewed? Were procedures		

adequate for ensuring the:

- Authority to enter data?
- Accuracy of data input?
- Integrity of processing?
- Verification and distribution of output?

(2) When the general and application controls were not reviewed, was the reliability of the data tested by:

- Comparing the data to source documents?
- Confirming data with independent sources?
- Processing test transactions?

e. Were compliance issues properly evaluated?

(1) Were tests conducted to verify command's compliance with applicable laws and regulations?

(2) Were sufficient tests conducted to evaluate the potential for material acts of fraud, waste and mismanagement?

(a) Were tests of internal controls sufficient to determine the high-risk areas for fraud, waste and mismanagement?

(b) Were expanded tests conducted in those high-risk areas?

(c) Was the CID, FBI or Justice Department contacted on those areas where potential fraud or illegal acts of a material nature may have occurred?

(d) Was the Headquarters legal office notified of all referrals before they were made?

f. Was appropriate consideration given to using advanced audit techniques?

(1) Was statistical sampling used when:

(a) The audit required analysis of large masses of data?

(b) There was a need to draw conclusions about a large universe of data, but time constraints limited the review to selected transactions from the universe?

(2) Was statistical sampling avoided when:

(a) The problem was so pervasive or significant that a statistical sample was not needed to quantify the problem?

(b) The universe was so small that a 100 percent review was easier to accomplish?

(c) Computer testing of transactions could have been easily accomplished for 100 percent of the universe?

(3) Did the auditors consider the use of regression analysis when they wanted to project past trends to the future?

(4) Was proper consideration given to using economic analysis (benefits versus costs)?

g. Was the use of technical experts given appropriate consideration for areas requiring specialized skills?

2. Go/No-Go Decisions

a. Were go/no-go decisions for each objective made in a timely manner as needed throughout the audit?

b. Was the decision to continue or stop work on each objective adequately documented in the working papers, and did the AIC keep the client informed when the decision was made?

c. Were important audit related matters evaluated adequately at these decision points and documented in the working papers?

(1) Was the supervisor made aware of the decisions before they were final?

(2) Did the areas audited actually result in findings?

(3) Were the findings worth the cost of the audit?

(4) Was adequate consideration given to developing the cause and effect for the findings?

(5) Was the scope to be reviewed established?

(6) Was adequate justification obtained before important areas were written off?

(7) Were the audit objectives revised, if necessary?

(8) Was appropriate consideration given to using:

- statistical sampling?

- microcomputers?
- downloading existing databases?
- outside experts?
- other quantitative analysis techniques?

d. Were key administrative matters evaluated at these decision points?

(1) Were specific timeframes established in terms of calendar days and auditor days by area?

(2) Was staffing (both talent and number of people) adjusted up or down based on projected workload?

(3) Were travel requirements analyzed?

3. Audit Programs

a. Were audit programs written for each area and written in sufficient detail to evaluate the area under review and answer the audit objectives? Did the audit programs:

(1) Contain detailed procedures and methodology for determining the significance and extent of each of the potential problem areas, as well as forming a basis for expressing conclusions on every audit objective?

(2) Clearly set forth the objectives, what work needs to be done, and on what issues conclusions were expected, so that the auditor assigned will be readily able to understand and perform the required work with minimum guidance?

(3) Include use of the Agency's program guidance documents or published circulars in various functional areas, as applicable to develop the specific audit steps?

(4) Include all approved changes to the program, incorporated in writing so the program accurately shows required timeframes, whether the work was actually performed or the reasons for not performing the audit steps?

(5) Have steps designed to develop criteria, condition, cause and effect?

b. Did the audit team pursue potential key management control weaknesses by incorporating steps in the audit program, and were resulting conclusions adequately supported and did they tie to

findings and other reporting requirements as applicable?

c. Were the audit programs revised as the auditors' learning curve progressed?

4. Data Gathering and Analysis

a. Was sufficient evidence obtained to support the conclusions drawn in the working papers and the report?

(1) For a major finding (or objective conclusion) in the report, were all factual statements in the report consistent with the supporting working papers? (If some of the statements were not supported, selectively expand the review to the other findings or objectives.)

(2) Were the conclusions logical based on the supporting evidence?

(3) Were important verbal statements by command appropriately verified with physical, documentary or analytical evidence (where practical)?

(4) Was most of the data obtained relevant to the audit?

(5) Were specific tests, analyses or discussions made to identify and quantify the condition, cause and effect (where practical)?

b. Were sufficient tests and analyses made to ensure that data used on the audit was accurate and reliable?

5. Working Papers

a. Were the working paper files logically organized? Did they include:

(1) Title and location of audit?

(2) Audit assignment number?

(3) Audit segment?

(4) File number?

b. Was each file numbered and indexed in accordance with Appendix C of USAAA Regulation 36-72, Audit Working Papers? For file folders IX and higher, did the table of contents include:

(1) A - Reviewer's comments?

(2) B - Draft finding and command reply, or audit guide reply?

(3) C - Summaries by area?

(4) D - Audit lead sheets/ TFAR outlines?

(5) E - Correspondence and memos?

(6) F - Audit program or circular with audit execution time controls?

(7) G thru Z - A description of each major series of audit working papers?

c. Were the working papers properly prepared and cross-referenced? For the finding or objective conclusion selected in paragraph 4.a.(1), review the supporting working papers. If the review team finds problems, selectively expand the review to other findings or objective conclusions. Were the working papers:

(1) Neat and legible?

(2) Relevant?

(3) Initialed and dated by the auditor who prepared the papers?

(4) Initialed and dated by the working paper reviewer?

(5) Indexed in a consistent fashion in accordance with the Agency standard indexing system?

(6) Cross-referenced, as appropriate, one to another, to the audit program or circular, to audit guide replies on multilocation audits, to summary schedules and narrative analyses, to tentative findings and recommendations, and to draft and final reports, if needed?

(7) Bound neatly and securely?

(8) Properly formatted? Did they contain:

(a) Working paper identification data that includes title of audit, location of audit and audit assignment number, audit segment covered by the working paper, and the title of the working paper?

(b) A statement explaining the purpose, source, scope, and

results of the audit work, and the specific conclusions reached?

(c) A legend explaining any tick marks or symbols used?

d. Were working paper files thoroughly reviewed, did they contain approved finding outlines, and were the working papers adequately explained and presented? Specifically, did the working papers contain:

(1) Reviewers comments from the working paper preparers' supervisor (i.e., lead auditor, auditor-in-charge, or supervisor)?

(2) Signature and date of review?

(3) Followup and closeout of questions raised during the review process?

(4) Comments that explain why steps in audit programs, including guides in USAAA circulars, were eliminated, curtailed, or revised?

(5) Sampling plans that explain the objectives and approach followed in applying statistical and judgmental sampling techniques?

(6) Thorough step-by-step explanations of computer audit techniques used (such as: automatic data processing retrievals edit routines, sort routines, and special analysis computer programs)?

(7) Adequate documentation that clearly supports and explains potential monetary benefit computations?

(8) Audit conclusions that were logical and fully documented?

(9) A master index of the working paper files relating to the audit that was available and filed as File I?

(10) Documentation showing that all files relating to the audit were accounted for and filed in the proper sequence?

(11) A copy of the approved outline for each TFAR?

(12) A copy of the draft report cross-referenced to, and filed with the working papers?

(13) A copy of the final report cross-referenced to, and filed with the working papers, if any new factual statements had to be cross-referenced?

6. Command Relations

a. Was command kept informed during the audit? Was command updated on:

(1) Audit progress?

(2) Changes to audit objectives?

(3) Potential problem areas?

b. Was command provided an information paper after the operating level was briefed on audit results?

c. Was the audit completed and the draft report issued in a timely manner?

d. Were reasonable attempts made to convince command of the merits of implementing the recommendations?

(1) Were periodic updates held with upper management officials?

(2) Is there evidence in working paper files that the auditors fully discussed their conclusions and recommendations prior to officially staffing the findings?

(3) For those findings where nonconcurrences were received from command in their initial reply, did their comments indicate a complete understanding of the audit results?

(4) Was there an open dialogue between command and the auditors during the staffing of the findings?

(5) Were reasonable adjustments made to the report as a result of discussions with command, and did the auditors include valid points raised by command?

(6) Was management given credit in the report for good management practices or new initiatives undertaken to correct problem areas, where appropriate?

(7) Did the auditors consider various alternatives and command's viewpoint in formulating workable recommendations?

(8) Was command provided a copy of the draft report (including summary and general information) and given sufficient time to review the report and comment?

(9) Was an exit conference held with command, unless waived by command, and were the results documented?

7. Supervisory Controls

a. Did the AIC provide adequate supervision to subordinates?

(1) Did the AIC personally review all the important general background data early in the audit?

(2) Was there evidence that the audit programs were reviewed and adjustments were made as necessary?

(3) Did the AIC review audit working papers and frequently monitor the progress of subordinates?

b. Did the AIC identify, conduct, and document OJT for trainee auditors?

c. Did the supervisor provide adequate supervision to subordinates?

(1) Did the supervisor visit the job site after the entrance conference?

(2) Did the supervisor get involved with the decisions to write off areas, spend more time in certain areas, or change the approach?

(3) Did the supervisor monitor the progress of the job versus established milestones and conduct such tests as necessary to ensure that the AIC was performing adequately?

d. Was sufficient supervisory control maintained to ensure compliance with government auditing standards and to ensure timely completion of the audit? (The answer to this question is judgmental and the reviewer should base their response on the overall execution of review guide B - audit execution.) Here are some key questions to help make that judgement:

(1) Did the AIC and supervisor effectively monitor audit progress?

(2) Did the AIC and supervisor provide adequate guidance to ensure the timely development of findings?

(3) Were audit programs and working papers reviewed adequately? (4) Did the AIC and supervisor make timely and appropriate adjustments to the audit approach, where necessary? (5) Did the supervisor visit the job frequently enough to ensure the audit was developing properly and on time? e. Did the AIC and supervisor review and approve the TFAR outline before the auditor formally wrote the TFAR? f. Were the AIC and supervisor sufficiently involved with the writing and staffing of findings? g. Did the AIC and supervisor ensure that all agreements reached with command subsequent to the receipt of replies to the findings (prior to or at the exit conference) were adequately documented in the working papers?		

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AUDIT PROJECT REVIEW STEP	RESPONSE (YES-NO-NA)	COMMENTS/ WORKPAPER REFERENCE
C - REPORT PROCESS **1. Independent Report Referencing** a. Was a copy of the draft audit report (and final report, if necessary) cross-referenced to the audit working papers and were the audit working papers properly assembled, indexed and reviewed before giving the draft (or final) report to the independent referencer? b. Was an independent referencer assigned in a timely manner? c. Was the editor's first review and the level 2 supervisor's or program director's technical review concurrent with the independent referencer's review? d. Did the independent referencer properly complete the referencing prior to issuing the draft audit report to include all substantive changes made to the draft report as a result of editor, level 2 supervisor or program director concurrent reviews? (Also,		

were significant changes to the final report independently referenced?)

e. Was there evidence that the referencer checked all facts and figures in the draft audit report against the supporting working papers and not just to working paper summaries?

f. Was there a Certification Document (USAAA Form 371) signed by the independent referencer and the level 2 supervisor assigned to the audit under review?

2. Transmittal Letter

a. Was the audit report transmittal letter prepared in accordance with USAAAR 36-53?

(1) Was it less than one page?

(2) Was it tonal?

(3) Did it show if the audit was a requested audit?

(4) Did it mention the distribution of the report?

b. Was it addressed to and signed by the appropriate person?

3. Summary and General Information

a. Were the objectives, scope, and methodology written in accordance with USAAAR 36-53?

(1) Did the sections on objectives, scope, and methodology contain:

- Purpose of audit?
- What was audited?
- How it was audited?
- When the audit was done?
- A statement on auditing standards?
- The period of transactions covered?
- Audit locations (mandatory statements on MLA summary reports)?

(2) Did the lead-in paragraph flow?

(3) Was there an objective on the Army management control process or an explanation of why it was not reviewed?

(4) Were the written objectives specific as opposed to general to ensure only required audit work was done?

b. Were the observations and conclusions logical and consistent?

(1) Was a conclusion drawn for each objective and were they parallel with the objectives presented in the objectives section of the report?

(2) Did the conclusions specifically answer the objectives, or were conclusions vague?

(3) Were the negative or partially negative conclusions consistent with the findings?

(4) Were positive conclusions adequately supported in the working papers?

(5) Was the canned statement in USAAAR 36-53 used when potential monetary benefits were included in the report?

c. Were mission and resources properly presented?

(1) Was a brief caption used identifying the major mission or responsibilities of the organization or function being audited and the associated resources?

(2) Did the writing flow and give the reader an understanding of the relative importance of the organization or function and a baseline with which to compare audit results to the missions or resources?

d. Was command's reaction accurately presented?

(1) Was the statement consistent with the command comments in theFindings, Recommendations, and Comments section of the report?

(2) Was a statement made on command's agreement or disagreement with potential monetary benefits, if applicable?

(3) Was the reader referred to the detailed command comments in the report?

(4) Was a canned statement used stating that the official Army position will be established after the official command-reply process is complete?

4. Findings, Recommendations, and Comments

a. Were the findings and recommendations properly written, organized and supported?

(1) Before auditors formally wrote TFARs, were TFAR outlines prepared to include: summary finding paragraph, discussion outline, and potential recommendations; and were outlines approved by the AIC and supervisor?

(2) Were TFARs run against Grammatik software before they were submitted to the AIC?

(3) Was the order in which the findings were presented logical (i.e., order of importance, chronological or by level of command for multiple addressee reports)?

(4) For those findings selected under the audit execution guide, did the finding paragraph include an umbrella sentence, condition, cause and effect?

(5) Were appropriate phrases used to transition the reader from point to point, or was the finding choppy?

(6) Was the background sufficiently informative to provide the uninformed reader with a basis for understanding the finding?

(7) Was the length of the background proportional to the complexity of the finding?

(8) Was the discussion portion of the finding logically organized?

(9) Did the major paragraphs contain all the required information?

(a) Did the facts presented in each paragraph support the theme sentence?

(b) Were the facts logically presented?

(c) Was there a recommendation for each major paragraph?

(d) Was the scope and methodology identified? (Some, many, frequent and most are vague and should not be used for scope.)

(e) Was the underlying or root cause identified for each finding?

(f) Was the effect identified and quantified where practical?

(10) Were the recommendations logical, practical and cost effective considering the seriousness of the conditions found?

(11) Were the recommendations specific? (The use of such terms as emphasize, ensure, study, consider, etc. are not specific).

(12) Were the recommendations directly traceable to the body of the report? (No recommendations should be made that were not discussed in the body of the report, and no recommendations should be made in the body of the report that were not included in the recommendation section of the report.)

b. Did command comments include all required information and did the synopsis of command's position accurately reflect their verbatim comments?

(1) Were important factual disagreements included in the additional facts portion of the reply?

(2) Was command's position as stated in their reply accurately presented?

(3) Did the reply address the corrective actions agreed to by command and potential monetary benefits, where applicable?

(4) Did the reply provide specific implementation dates for corrective actions to the recommendations?

(5) Did paraphrased command comments in the body of the report include the statement: "for verbatim comments see Annex?"

c. Did the USAAA evaluation adequately counter the issues raised by command in their comments?

(1) Were all the points addressed?

(2) Did the auditors make reasonable attempts to resolve disagreements before issuing the report final?

(3) Did the USAAA evaluation address all the major issues raised by command in their comments?

5. Annexes, Graphs, and Charts

a. Did the report distribution annex include all the required activities that would likely have an interest in the report?

b. Were verbatim command comments included as an Annex in the report?

c. Were all the other annexes, graphs and charts in the report: necessary; clear, concise and accurate; appropriately labeled and footnoted; and, properly referenced in the report?

6. Potential Monetary Benefits

a. Were USAAA Forms 328 and 328A consistent with the report?

b. Were potential monetary benefits properly computed and supported?

(1) Were the estimated benefits reasonably supported in the working papers?

(2) Were offset costs considered?

(3) Was the estimate conservative?

(4) Was the time value of money considered where appropriate?

(5) Did the explanation section of USAAA Form 328A adequately explain the methodology used in computing the estimate?

(6) Were variable samples used to project dollar values? (Attribute or judgmental samples should not be used to project dollar values.)

(7) Were the sample transactions representative of the universe and was the universe accurately defined?

(8) Were the monetary benefits limited to the program objective memorandum or maximum 6-year period?

(9) Did the wording of the recommendation require a specific action that will actually result in savings or funds being put to better use? (Monetary benefits cannot be claimed if indefinite or nonspecific recommendations such as "do a study" are made.)

(10) Were the savings computed based on net effect to the Army, or Treasury, where appropriate?

(11) Were potential monetary benefits properly categorized as

funds put to better use or questioned cost?		
c. Did the USAAA Form 328A adequately identify to the extent possible the source of funds (appropriation, management decision package (MDEP), and budget activity/ program element)?		
7. Timeliness of Reporting		
a. Was the final report issued within the time allowed after the draft report was issued to command? If not, was the delay justified?		
b. Were the transactions reviewed current at the time of the audit?		
8. Editorial Review		
a. Was the final report sent to and reviewed by the editor?		
b. Were the editor's comments included in the final report, where practical?		

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DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION 36-69 **2 December 1991**

Purpose

Policy

Audit Assignment File

Audit Report File

Command Reply File

Responsibilities

Procedures

File Retention

Appendix - File Contents

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Audit

Establishing and Maintaining Headquarters Files on USAAA Audit Reports

1. PURPOSE. This regulation establishes policy, assigns responsibilities and prescribes procedures for establishing and maintaining Headquarters files on USAAA audit reports and related papers.

2. POLICY

(a) The official USAAA audit report files will be maintained in Headquarters by the Policy and Programs Division of the Audit Policy, Plans and Resources Directorate

(b) Files will be established for formal appropriated and nonappropriated fund audit reports and for advisory, trend, planning and presurvey reports. The contents of each file is shown in the Appendix.

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3. DEFINITIONS

(a) Part I - Audit Assignment File. A temporary correspondence file containing documents such as the request for audit or other tasking documents, notification of entrance and exit conferences, document transmitting the audit report to The Auditor General for authentication (when applicable), and other relevant papers deemed appropriate.

(b) Part II - Audit Report File. A permanent file with all correspondence and data received and dispatched from receipt of the audit report until it is released. A copy of the final, printed audit

report will be retained in this file.

(c) Part III - Command Reply File. A permanent file containing all correspondence pertaining to the command reply process. This should include (i) the official command reply, (ii) region comments on the official reply, (iii) the official USAAA position on the command reply, (iv) documentation of agreements reached at mediation meetings, and (v) the final closeout documents for the report.

4. RESPONSIBILITIES

(a) The cognizant Headquarters director is responsible for establishing the Part I and Part III files for each audit. A Part III file is not required when a formal report contains no findings or is otherwise not subject to the command reply process.

(b) The Policy and Programs Division (SAGA-PRP), will establish the Part II file and maintain the Part I, Part II and Part III Files on completed audits.

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5. PROCEDURES

(a) The cognizant Headquarters audit directorate will establish a Part I File for each audit upon notification of the initiation of the audit and a Part III File when the audit report is released.

- The Part I file, in addition to the documents cited in paragraph 3a, will contain all documents deemed appropriate by the directorate. The file may include tentative findings and recommendations, the draft audit report, memorandums of record, etc.
- The Part I file will be forwarded to the Policy and Programs Division when the related audit report is released by the directorate. The tentative findings and recommendations, draft audit report and all correspondence and other documentation not directly related to establishing the assignment or processing the final report will be removed from the Part I file at this time.
- The Part III file will contain correspondence pertaining to the official command reply process. A copy of the audit report and related potential monetary benefits report should be placed in the file when it is established and removed when the command reply process is completed. The file will be forwarded to the Policy and Programs Division upon completion of the official command reply process.

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(b) The Policy and Programs Division will establish a Part II file for each audit report when the audit report is received in Headquarters. The Part I file may be merged with the Part II file if it contains only a few documents related to the audit.

(c) For memorandum reports, only a copy of the signed report and other supporting documents will be retained. For advisory, planning, and presurvey reports, the Policy and Programs Division will establish and maintain only a Part II file containing a copy of the report and distribution list.

6. FILE RETENTION

(a) The Policy and Programs Division will remove the Part I file 1 year after the end of the fiscal year in which the report was issued. The documents transmitting the audit reports to The Auditor

General (when applicable) and any requests or tasking documents to perform the audit will be removed and placed in the Part II file. Other documents in the file will be returned to the cognizant associate director to screen for retention as deemed appropriate.

(b) The Part II and Part III files will be maintained for 3 fiscal years (including fiscal year in which the report was issued) after which they will be removed and returned to the cognizant associate director for retention of any documents deemed appropriate.

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7. OTHER. Documentation pertaining to the Headquarters report review process and forwarded as part of the report release packet are not part of the official audit report files. Distribution of these documents is made in accordance with USAAAR 36-54.

FOR THE AUDITOR GENERAL:

THOMAS DRUZGAL
Director, Audit Policy,
Plans and Resources

THE PROPONENT OF THIS REGULATION IS THE DIRECTORATE OF AUDIT POLICY, PLANS AND RESOURCES. USERS ARE INVITED TO SEND COMMENTS OR SUGGESTIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PRP.

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APPENDIX

FILE CONTENTS

1. PART I - Audit Assignment File

- Audit request or other tasking documents
- Memorandums on Entrance and Exit Conferences
- Legal opinion from Counsel
- Document transmitting to The Auditor General for authentication (when applicable)
- Memorandum initiating command reply process
- Memorandum to DA Inspector General
- Form 328, Potential Monetary Benefits
- Form 354, Audit Coordination Record, if applicable
- Form 103, Analysis of Progressive Techniques Used
- Distribution list
- Audit report synopsis
- Other pertinent documents

2. PART II FILE - Audit Report File

- Memorandum transmitting report to Headquarters, with all enclosures to memorandum
- Audit status report (final Form 358)

- Memorandums to cognizant directorate and Counsel establishing suspense dates
- Copy of final, printed audit report

3. PART III - Command Reply Process

- Official command reply received for comment
- Region's comments on command reply, if applicable
- Official USAAA position on the reply submitted by Headquarters
- Copies of any agreements reached at mediation meetings, if applicable
- Final closeout documents for the report

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DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION NO. 36-72 **31 January 1992**

AUDIT

AUDIT WORKING PAPERS

Purpose

Applicability

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Policy

Responsibilities

Evidence

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1. **PURPOSE**. The purpose of this regulation is to provide guidance and instructions on the preparation, control, review, and disposal of working papers. The regulation incorporates standards set forth in the Government Auditing Standards issued by the Comptroller General of the United States, and procedures contained in the Internal Audit Manual issued by the DOD Inspector General.

2. **APPLICABILITY**. The standards, policies, and guidelines set forth in this regulation apply to all surveys, audits, reviews, and studies conducted by Agency auditors in accordance with AR 36-7, Professional Audit Standards.

3. **REFERENCES AND RELATED PUBLICATIONS**. See Appendix A.

4. **DEFINITIONS**. Working papers are the connecting link between the field work and the final audit report. The term "working papers" means all documents, papers and records (manual or automated) prepared or collected by auditors during the audit process. Working papers provide a systematic record of the work done by auditors and contain the information and evidence necessary to support the findings, judgments, conclusions, and recommendations presented in the audit report. Additional definitions relating to working papers are in Appendix B.

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5. **STANDARDS.** The Comptroller General has established standards requiring auditors to obtain sufficient, competent, and relevant evidence to afford a reasonable basis for the auditors' judgments and conclusions regarding the organization, program, activity, or function under audit. Under the standards, auditors must retain a written record of their work in the form of working papers. The DOD Inspector General has incorporated these standards into the DOD Internal Audit Manual. Also, the Agency has captured and expanded upon these standards in AR 36-7, Professional Audit Standards. In general, the standards require that working papers be:

- Complete and accurate to provide proper support for the audit.
- Clear and understandable without detailed, supplementary, oral explanations.
- Legible and neat as practicable.
- Restricted to matters that are materially important and relevant to the audit objectives.

6. **POLICY**. Working papers prepared by Agency auditors will meet all professional requirements of the Comptroller General's Govern-ment Auditing Standards, DOD's Internal Audit Manual, and AR 36-7. Working papers will contain all essential information needed to show that the auditors properly planned and carried out the audit.

7. **RESPONSIBILITIES**. All auditors preparing working papers are responsible for ensuring that the working papers meet the requirements of AR 36-7. The auditor-in-charge, as discussed in USAAA Regulation 36-75, Auditor Responsibilities, is the key audit position responsible for ensuring that subordinates follow established Agency policies and procedures, and that working paper documentation meets Government Auditing Standards. Supervisors, in accordance with USAAA Regulation 36-75, have a responsibility to participate in ensuring that working paper documentation meets Government Auditing Standards. This regulation addresses some specific responsibilities, as appropriate, in other paragraphs.
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8. **EVIDENCE**

a. **Categories of Evidence**. Evidence is the data and information auditors obtain during audit field work to document findings and support opinions and conclusions. Auditors obtain evidence using various methodologies such as observing events, questioning people, and examining and analyzing records and other data. Categories of evidence are (i) physical, (ii) testimonial, (iii) documentary, and (iv) analytical.

(1) **Physical Evidence**. Auditors obtain this kind of evidence by direct inspection or observation of (i) activities of people, (ii) property, or (iii) events. It may be in the form of memorandums summarizing the matters inspected or observed; schedules showing the nature and extent of inspections; actual samples; or photographs, charts, maps, and graphs. Obtaining and using graphic evidence is a very effective way to explain or describe a situation. A clear photograph illustrating improper or ineffective practices has a much greater impact than words describing those practices. Auditors should recognize the importance of physical evidence and use effective techniques to get it. They can critically observe activities, inventories, and the condition of structures and equipment. They should take every opportunity to observe the operations, property, or other resources of activities audited because a condition actually seen is one of the best forms of evidence.

(2) **Testimonial Evidence**. Auditors obtain testimony from others through written or oral statements made in response to inquiries or through interviews. Statements by activity officials or others (explanations, justifications, lines of reasoning, and intentions) are valuable sources of information not readily obtainable by other means. Standing alone, however, testimonial evidence has limited value because of the potential bias of the source. These statements become more meaningful and useful when corroborated.

(3) **Documentary Evidence**. This type of evidence consists of letters, contracts, accounting records, invoices, and similar material. Such documents can be:

- External - those documents originating outside the organization the auditors are examining (for example, vendor's invoices and incoming correspondence).
- Internal - those documents originating within the organization (for example,

accounting records, outgoing correspondence, receiving reports, and negotiation files).

Auditors must consider the reliability of documentary forms of evidence. An external document obtained from its source is more reliable than the same type of document obtained from the audited organization. Even though most documents received from the organization would be difficult to alter without detection, one must consider the possibility. Examine the documents carefully and investigate any significant apparent alteration.

(4) **Analytical Evidence**. Auditors develop analytical evidence by obtaining, examining, and making judgments about other forms of evidence. Analytical evidence includes computations, comparisons, reasoning, and separation of information into components. Carefully developed analytical evidence can be very convincing, especially when auditors use properly developed and applied quantitative measures.

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b. **Standards of Evidence**. Auditors obtain and consider evidence to help themselves in formulating judgments and arriving at appropriate opinions and conclusions. They need convincing evidence to make logical arguments. Evidence is most convincing when it satisfactorily meets the standards of evidence. Audit techniques used to obtain evidence include (i) the analyses of management reports, (ii) comparison of management reports, (iii) computer assisted audit techniques, and (iv) advanced audit techniques such as statistical sampling. Whatever the source of the evidence, auditors must make sure that the data meets the basic tests of sufficiency, competence, and relevance.

(1) **Sufficiency**. The working papers must contain enough factual, adequate, and convincing evidence to lead a reasonable person to the same conclusions as the auditors. Determining the sufficiency of evidence requires judgment, especially when there is conflicting evidence. One must judge which position is correct based on the competency and relevance of the evidence. Auditors do not need to have elaborate support for insignificant points. For significant matters, however, auditors must provide sufficient evidence to back up their conclusions.

(2) **Competence**. Evidence must be reliable and the best the auditors can obtain through the use of reasonable audit methods. In evaluating the competency of evidence, auditors should carefully consider whether there is any reason to question its validity or completeness. When doubt exists, auditors must take additional measures to authenticate the evidence.

(3) **Relevance**. Relevance refers to the relationship of the information to the audit objective. Auditors should use the most current data available to prove or disprove an issue. The facts and opinions used must have a logical, sensible relationship to that issue. Information which does not have this relationship is irrelevant and auditors should not include it as evidence. If the most recent information appears old, auditors should make sure that it is still relevant. Working papers and related information that auditors accumulate should have a direct bearing on the findings and related recommendations or other conclusions drawn from the audit. This

stipulation does not rule out making appropriate notes or observations for potential use in other areas.

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9. **PLANNING AND UNIFORMITY**

a. **Planning**. Adequate planning of each working paper is necessary to achieve required quality. Before preparing a working paper, auditors must know its primary and any subordinate purposes. They also need to know what to do to accomplish these purposes. Auditors should know how the audit steps and the working papers relate to other areas to avoid duplication of effort. Auditors should know the type of information to be put on the working paper before the audit work begins. Appendix H contains a listing of some practical working paper preparation tips.

b. **Completeness and Accuracy**. Working papers must provide complete and accurate information that not only supports the findings and conclusions but demonstrates the nature and scope of the work performed.

(1) Working papers should show the details of the evidence the auditors are relying on and how they obtained the evidence. For example, if the auditor used a sample, the working paper should explain how they drew the sample from the universe.

(2) Auditors must fully support and explain in the working papers all factual statements and figures in audit reports so that no supplementary interpretations are necessary during subsequent reviews.

(3) Auditors should retain data pertaining to findings or to the objectives established for the audit.

(4) Auditors should avoid cluttering the working paper files with unneeded documents. They should not place entire copies of voluminous documents such as regulations, pamphlets, and studies in the working papers as support for their conclusions when excerpts of key paragraphs or pages will provide the needed support. For example, a copy of a pertinent paragraph from a regulation may suffice in lieu of making the entire regulation a part of the working papers. If the entire regulation has applicability to various audit objectives and steps, the auditor should put the document in the background file and, as needed, make reference to it in other parts of the working papers. Auditors should obtain copies of original documents or excerpts needed, when possible, but handwritten excerpts are generally acceptable work-ing paper support. If auditors prepare handwritten excerpts, they should annotate in the source section that they took the in-formation from an original source document and identify the document.

(5) If auditors obtain conflicting information during an examination on an important issue, the working papers should clearly reconcile the conflict so there is no doubt as to the information the auditors are relying on. If the conflict is unresolvable, the working papers should fully explain why.

c. Access to Information. AR 36-5, Auditing Service in the Department of the Army, authorizes Army auditors to obtain information they need to conduct audits. If an activity refuses

access to needed audit information, or denies them the opportunity to obtain explanations from personnel of the activity, the auditors must make every reasonable effort to resolve the problems. This includes elevating the issue through the audited activity's chain of command and the Agency's chain of command to the level necessary to obtain the requested information. Initially, auditors should work through the local chain of command to resolve the problem. If this proves unsuccessful, the auditors should alert both the cognizant Headquarters operating directorate and the Agency's Office of Counsel. Then, if the major command is within the region, the region should contact the major command directly. If the major command is in another region, the region should coordinate the request for information through the cognizant operating directorate. If the major command also denies access to the information, the cognizant operating directorate will coordinate with the Office of Counsel and request the appropriate DA proponent to resolve the issue. The working papers should fully describe the actions taken to resolve the situation.

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d. **Clarity and Understandability**. Working papers should be sufficiently clear and understandable so that another auditor who has had no previous association with the audit can review the papers and determine the nature and extent of the work done and how the auditors reached their conclusions. Conciseness is important, but don't sacrifice clarity and completeness just to save time or paper.

(1) Interviews are sometimes the only means of obtaining basic information. In many cases, interviews provide auditors initial "leads" into the issues they are addressing. Information obtained in interviews may also supplement, explain, interpret, or contradict information obtained by other means. Because auditors usually don't record information verbatim but rather paraphrase it for use in a report, auditors should always record their understanding or interpretation of what the interviewee said or meant and then confirm their understanding with the interviewee. Standing alone, information obtained orally may have limited value as evidence. When the information concerns matters which are crucial to the line of reasoning auditors are developing, they should corroborate the oral evidence if possible. If deemed appropriate, auditors may request the official providing the oral evidence to review and validate the working paper.

(2) If auditors use computers to retrieve or analyze information, the working papers must show what they did to obtain this information. They must present sufficient instructions to enable duplication of the work done, if necessary. Auditors must explain the criteria used to pull a sample, and include a description of the universe from which they selected the data. They must also include appropriate identification of files used, description of the file layout, and appropriate points of contact. Use the audit guides in USAAA Regulation 36-666, Assessing the Reliability of Computer-Processed Information, to assess the reliability of computer-processed information and to document the precise methodologies used.

e. **Plain English**. Appendix A of USAAA Regulation 36-53, Writing Audit Reports, states in part that:

You must write your reports in plain English-the same style of writing that AR 25-50, Preparing and Managing Correspondence, requires. Essentially, plain

English urges you to write the way you talk (in a polite and organized way).

Auditors must also write their working papers in the plain English style. The use of this style will not only help make the working papers clearer and more understandable, but will facilitate the subsequent writing of findings and audit reports. Follow the writing guidance in USAAA Regulation 36-53 and USAAA Regulation 36-55, Correct and Preferred Usage in Audit Reports.

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f. **Legibility and Neatness**. Working papers must be legible and neat. Careless or messy working papers may lose their worth as evidence. Paper is inexpensive in relation to the value of clear and understandable working papers. Therefore, auditors should not crowd information on working papers. Double space the results and conclusions sections of working papers to allow space for contingencies such as explanatory comments, notes, and additions. Prepare working papers on one side only; use additional sheets if necessary. The Agency encourages auditors to use word processing, database, and spreadsheet computer software programs to prepare working papers. Use of the word processing capabilities of portable microcomputers can greatly enhance the legibility, neatness, and organization of the working papers prepared on the computer. Word processing allows auditors to easily revise their draft working papers. They can correct errors, add new data, or improve the clarity and logical presentation of their audit data and conclusions. Remember, sufficient thought given to planning working paper preparation before beginning the actual audit work will generally preclude the inclination to crowd.

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g. **Relevance**. Restrict information contained in the working papers to that which is materially important and relevant to the audit objectives. Developing clear statements of purpose helps ensure that the information accumulated is appropriate to answer the audit objectives.

h. **Size and Color**. Auditors will use the Agency's preferred standard size and color of working papers to the extent possible. Certain factors such as the need to use up existing paper stock or future funding constraints may temporarily require the use of nonstandard working papers. If available, use the following sizes and colors of working papers:

- Continuous Computer Printout Paper, 9 1/2" x 14"
- Green Narrative Paper, 8 1/2" x 14"
- 7 Column Green Paper, 8 1/2" x 14"
- 13 Column Green Paper, 17" x 14"

If it becomes necessary to put larger sheets in the files, auditors should fold the larger sheets to the size of a standard sheet. Fasten smaller sheets to a standard size sheet. Auditors should not use "envelope or pocket-type" working papers unless there is no other available means to secure documents in the working paper files.

i. **Timeliness**. Auditors should prepare working papers as soon as possible to ensure the prompt review and use of the information.

j. **Data Obtained from the Audited Activity**. To the extent possible, auditors should use schedules, analyses, reports, studies, and so forth, prepared by the installation. Auditors should not hand copy material required for the working papers if it is practicable to obtain it by other

means. Schedules and forms furnished by the activity must, however, include the information described in paragraph 11.

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k. **Evidence Not Used in the Audit Report**. When auditors don't use a working paper initially developed to support the final audit report because they use supplemental data instead, they must annotate (cross-reference) the original working paper to show which data is correct and why. Working papers must clearly show the reasons why auditors dropped areas or excluded tentative findings and recommendations from the final audit report.

l. **Regulatory Documents**. Auditors will include in the working papers copies or extracts of regulations, bulletins, standing operating procedures, and other published information pertinent to the audit to preserve the documents in effect at the time of the audit. Auditors should also include a copy of the "Applicability" section of regulations or other supporting publications. However, they should try to avoid putting copies of an entire regulation, bulletin, and so on in the working papers.

m. **Assembly in Files**. Fasten working papers in file folders in a manner which will facilitate their use and prevent loss or mutilation.

(1) Clearly label the cover of each file to show the following:

(a) Audit title.
(b) Name and location of audited activity.
(c) Audit assignment number.
(d) File title or subject matter.
(e) Index symbol or number of the file and folder.
(f) Security classification, if applicable.

An example of a file folder cover format is at Appendix D. If applicable, the cover of a working paper folder should also include a notice that working papers in the folder require special handling. This notice is necessary when working papers in that folder contain "FOR OFFICIAL USE ONLY" information that is not subject to disclosure. Examples are procurement sensitive data, proprietary data, medical records, or information covered by the Privacy Act. A discussion on safeguarding FOR OFFICIAL USE ONLY folders appears in paragraph 17.

(2) Each working paper file should contain a table of contents. Where the bulk of working papers in a particular segment makes it desirable to divide the segment into more than one file folder, each folder should contain a table of contents for the total segment identifying the contents of each of the folders in the segment.

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n. **Classified Working Papers**. Prepare and maintain working paper folders containing classified documents in accordance with AR 380-5, Department of the Army Security Program, and USAAAR 1- 206-1, Safeguarding Defense Information. Store classified docu- ments in a safe approved by the General Services Administration. Normally, if there are only one or two classified working papers out of an entire folder, remove and place them in a classified folder. Reference sheets should be left in the unclassified folder to refer the reader or reviewer to the classified folder. When gathering classified information or documents for inclusion in working

paper folders, auditors should be sure to determine who classified the data or document and prepared its specific downgrading instructions. Auditors should place this information in the working paper folder. A further discussion on safeguarding classified material appears in paragraph 17, and instructions on disposing of classified material appear in paragraph 18 and Appendix K.

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10. **ARRANGEMENT OF WORKING PAPERS.** There are two general classes of working paper files: audit background files (also known as permanent files) and current files.

a. **Background (Permanent) Files**

(1) Establish an audit background file for each installation, activity, major program, or function included in the audit universe. Regions will maintain audit background files for all entities serviced either at the cognizant field offices or at the regional offices. Update the files periodically through input from field offices, current audits, and correspondence pertaining to the command concerned. These files contain information of continuing or recurring use in succeeding audits. As a minimum, audit background files normally contain:

. Current organizational charts.

b. Current organization and functions manuals (mission statements).

c. Information on funding and personnel authorizations.

d. Items of potential audit interest (for example, newspaper articles, magazine clippings, and announcements concerning planned reorganizations).

e. Information on audit matters for future followup or consideration.

f. Workload survey reports.

g. Proposed multilocation and single location audits along with supporting rationale.

h. References to audit reports issued by other organizations such as the General Accounting Office or DOD Inspector General.

i. General information and reports on implementation of the Army's Internal Management Control Program.

j. Post audit critiques.

(2) When visits to an auditable activity are infrequent, the material accumulated may become out of date before a followup visit is made. Therefore, auditors should review and update audit background files on a periodic basis. To keep the files from becoming too bulky, reviewers should remove obsolete or superseded material.

(3) As the Agency identifies new auditable activities, the region having responsibility will obtain the needed information to establish audit background files.

b. **Current Files**. Current files contain all pertinent documents and papers prepared or gathered relating to currently planned or ongoing audits. Current files also contain all documentation needed to meet recurring regulatory statutes and audit requirements of a cyclic nature. Arrange

current files in a logical sequence in accordance with the file structure presented in Appendix C. For large audits, the current files may consist of several distinct segments: one file for each segment examined, others for general segments pertaining to the audit as a whole, and one for audit administrative matters. Use a consistent scheme to arrange items within working paper files to provide for ready reference during and after the audit.

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11. **DOCUMENTATION AND CONTENT**

a. **Working Paper Identification Data**. Each working paper should contain the following four lines of working paper identification data: line 1 - title of the audit, line 2 - location of the audit and audit assignment number, line 3 - audit segment covered by the working paper, and line 4 - title of the working paper. For example:

Audit of Military Pay
Fort Smith, NV (W2-123C)
Basic Allowance for Quarters
Analysis of Personnel Entitlements

Auditors formerly called the working paper identification data the "heading" because of its placement at the top center of the working paper. Now however, auditors should place this data in the area of the working paper that provides space for it. For example, if auditors are using the new Agency preferred paper, they should place the identification data at the bottom center of the working paper in the space provided. If auditors are using up existing paper stock or standard stock is not available, place the identification data at the top center of the paper where space is normally available.

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b. **Standard Working Paper Format**. Each working paper must contain sections for purpose, source, scope, results, and conclusions. As applicable, include the elements of criteria, methodology, condition, cause, effect, and recommendation in the appropriate section. Discussions on the working paper sections follow, and illustrated examples of the working paper format are at Appendices E and F.

(1) **Purpose.** This section of a working paper explains why auditors are doing the audit work and what the auditors are trying to accomplish. Auditors should relate this mandatory statement directly to a survey or audit program step.

(2) **Source.** This portion of a working paper tells the reader where the auditors obtained the information, that is, document title, date, and location. Auditors should provide enough detail to permit an independent reviewer to find the source of the information recorded on the working paper without their assistance. If source information is in the form of a machine printout, auditors should give the date of the printout and the "as of date" of the information contained on the printout. For automated working papers on diskettes or tapes, the working papers should explain the origin, contents, use, and reference numbers of the media used. Auditors should also affix a label with this information to the media used.

(3) **Scope.** This portion of a working paper defines the parameters of the

information looked at and how the auditors did the work. It provides things such as: the total number of items available for selection and the number selected; the basis for choosing what the auditors examined; the period covered; and, the procedures used to achieve the results shown on the working paper.

(4) **Results.** This section of a working paper provides the specific factual evidence obtained during the audit. The results of the examination may be self-evident by a review of the data or the working paper. If not, auditors will provide a de-tailed description of the outcome of tests or analyses and related discussions in the working paper. The results section is particularly useful when relating information on the working paper to tests, analyses, and discussions recorded on separate working papers. Also, summary schedules keyed to individual sets of working papers are sometimes useful in forming conclusions.

(5) **Conclusions.** This section of a working paper provides auditors' interpretations of the evidence stated in relation to the purpose of the audit. Auditors should draw conclusions by analyzing and interpreting the results of conversations, observations, tests, analyses, information obtained, and other related facts. If auditors base conclusions on the data recorded on other working papers, they should explain this fact and cross-reference all relevant working papers. If the records of the entity audited contain data bearing on the conclusions, auditors should explain this fact in the source and scope sections and identify the location of the records and/or applicable documents. Most importantly, the conclusion should answer the purpose for which auditors prepare a working paper.

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c. **Memorandum for the Record**

(1) Auditors will prepare a memorandum for the record to document subjects that relate to the audit in general such as entrance and exit conferences, and requests for security clearances. Auditors will keep these types of memorandums in File VI (Correspondence and Conference Notes) and also cross-reference them to any other pertinent working papers. The memorandum for the record should indicate all pertinent facts to include:

- Date, time, and place of the interview.
- Name, title, organization, and phone number of the individual the auditor interviewed.
- Name and position of Agency personnel present.
- Purpose of the interview.
- Summary of key discussion points.
- Conclusions drawn or actions recommended, if applicable.

Auditors will prepare records of entrance and exit conferences in accordance with USAAA Regulation 36-31, Entrance and Exit Conferences, and also prepare records of liaison visits in accordance with USAAA Regulation 36-78, Relationships with Commanders and Organizations External to USAAA.

(2) Auditors will also prepare a memorandum for the record to document an event

that relates to a specific segment of an audit but did not occur as a result of the audit program. For example, auditors would prepare a memorandum for the record according to the guidance in the preceding paragraph to document important management decisions concerning the conduct of the audit, such as the pitch of the findings and recommendations the audit manager wants the auditor-in-charge to take. Another example would be to document a meeting held with command to work out a problem with a tentative finding and recommendation. Put these types of memorandums in the appropriate verification file folder under Table of Contents, Index E - Correspondence and Memos. Auditors will not use memorandums for the record to document any interviews, conversations, or meetings conducted to answer specific audit steps and objectives. In these instances, auditors will prepare a standard verification working paper that has working paper identification data and sections for purpose, source, scope, results, and conclusions, as called for in paragraph 11, and they should index the working paper according to paragraph 3 of Appendix C. Auditors should use this type format, for example, to document an interview held to determine specific activity procedures that they will evaluate during the audit. To the extent possible, auditors should further corroborate testimonial evidence by obtaining documentary, analytical, or physical evidence.

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d. **Tick Marks**. When auditors use tick marks or other symbols on a working paper, they must include a legend on the working paper explaining the meaning of each tick mark.

e. **File, Folder, and Index Numbers**. The lower left-hand corner of each working paper should contain the file, folder, and working paper index numbers. The file, folder, and index numbers should appear on both the inside and outside of a folded working paper. However, numbering on the outside of a working paper will not be necessary when using the new standard 13 column working paper since the numbers will show through at the bottom of the page. Additionally, all handwritten file numbers, folder numbers, index numbers, references, and cross-references will be in red pencil. If auditors prepare computer-generated working papers, they must underline the file numbers, folder numbers, index numbers, references, and cross-references in red pencil. After preparing a working paper, auditors should immediately index it to facilitate review, cross-referencing, and preparation of audit summaries, findings and reports. (See Appendix C for details on the indexing system.)

f. **Preparer and Reviewer Identification**. The lower right hand corner of each paper should contain the initials of the auditor preparing the working paper and date of preparation as well as the initials of the reviewer and date of review. Auditors will prepare a legend at the end of the table of contents for each file showing the full names of the preparers and reviewers and the related initials used on the working papers.

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12. **WORKING PAPER SUMMARIES**

a. **General**. Summaries, sometimes referred to as summary sheets or summary evaluations, are a means of accumulating and consolidating the interpretation of audit results in a clear, concise, and convincing manner. They bring to the forefront the essence of the work performed, the results achieved, the conclusions reached, and recommendations made, as reflected in the

supporting working papers.

b. **Content**. Auditors should prepare narrative summaries for all audit segments covered by the working papers. They should use summaries to consolidate the results of various audit steps. See Appendix E for an example of a summary working paper that summarizes the results of several audit steps. For each summary, auditors should state concisely what they did relative to what they set out to do according to the audit objectives. If auditors were unable to do certain planned work, they should state this fact with the reasons. The auditors should clearly state their conclusions on the audit objectives. Summaries should support the development of audit findings and spell out the condition, cause, effect and recommended action. If the auditors didn't find any deficiencies they still need to summarize the information to answer the objectives and provide positive reporting. As appropriate, summaries should include comments on weak or strong internal control features and other important points.

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13. **INDEXING**. The primary purpose of an indexing system is to facilitate the referencing of working papers. A good indexing system also facilitates the conduct of an audit and assists auditors in making sure that others can readily locate the support for audit results when needed. A good system for indexing working papers depends upon certain uniform principles. The Agency based its indexing system described at Appendix C on the concepts presented in the following paragraphs. The Agency's standard indexing system should:

a. **Be Under the Control of the Auditor-in-Charge**. Upon assigning audit segments to the staff, the auditor-in-charge will inform each auditor, particularly lead auditors, of the appropriate working paper index number they will use. The auditor-in-charge will maintain control over the indexing of working papers during the audit. It is the responsibility of the auditor-in-charge to make sure subordinates properly index and cross-reference all working papers upon completion.

b. **Be In Sequence With the Audit Plan**. Using the main objective of the audit as a focal point, the auditor-in-charge can select areas for emphasis and plan the sequence of the audit coverage. By following the planned sequence of the audit, the indexing system facilitates reference to any working paper or segment of the audit.

c. **Indicate Relationships Between Working Papers and Audit Areas**. The Agency's indexing system is made simple to facilitate the referencing of one working paper to another and the working papers to audit programs, summary analyses, reports, and other audit documents as discussed in paragraph 14. It also facilitates referencing to show the relationship of the working papers to particular audit segments. To indicate relationships, the auditors should first divide the audit into logical segments according to the audit plan. The auditor-in-charge should then assign primary index numbers to each audit segment. This method of indexing will facilitate the logical grouping of working papers.

d. **Control Logical Groupings of Interrelated Working Papers**. Auditors can easily index working papers by appropriately grouping them in a logical sequence. Appropriate grouping also assists auditors in their analyses, interpretations, write-ups, and reviews.

e. **Facilitate Expansion**. Generally, audit plans are not firm and auditors can revise and/or expand them during the audit. The Agency's standard indexing system permits unlimited expansion as needed. It allows the flexibility to meet the needs of most audits while still

providing the degree of uniformity desired for review and control purposes.

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14. **CROSS-REFERENCING**

a. **General**

(1) No audit is complete until the auditors thoroughly and accurately cross-reference the working paper files. Simply stated, cross-referencing entails making a notation on a working paper or document at one place in a file referring to pertinent information at another place with a notation on the second piece of information referring back to the first. Auditors develop the final audit report through an evolutionary process that includes the preparation of detailed supporting working papers, analyses, summaries, findings, and a draft report. Cross-referencing at each step in the process is necessary to ensure that auditors consider all pertinent facts and conclusions and that support exists for their position.

(2) To enhance accuracy and correctness, auditors should cross-reference their working papers as soon as possible. They must also cross-reference changes or corrections to supporting information as soon as possible to provide an adequate audit trail and avoid confusion or conflict. Any information (facts, figures, or other data) contained in a working paper and used in a finding, must have a specific cross-reference to that finding. As a mini-mum, auditors should cross-reference the following:

- **Audit Program**. Cross-reference the audit program to the supporting and summary working papers. See Appendix G for an example of a cross-referenced audit program.
- **Supporting Working Papers**. Cross-reference supporting working papers to the audit program, other related sup- porting working papers, summary working papers, tentative findings, the draft report, and the final report, if needed. See Appendix F for an example of a cross- referenced supporting working paper.
- **Summary Working Papers**. Cross-reference summary working papers to the audit program, supporting working papers, tentative findings, the draft report, and the final report, if needed. See Appendix E for an example of a cross-referenced summary working paper.
- **Tentative Finding**. Cross-reference the tentative finding submitted to command to the supporting and summary working papers, the draft report, and the final report, if needed. See USAAA Regulation 36-85, Independent Report Referencing, for an illustration of a cross-referenced finding.
- **Draft Report**. Cross-reference the draft report to the supporting and summary working papers. (Note: If there are any significant additions, deletions, or changes between the tentative finding and the draft report, the appropriate working papers should clearly show and support the reasons for the differences.) See USAAA Regulation 36-85 for an illustration of a cross-referenced draft report finding.
- **Final Report**. If the final audit report differs significantly from the draft

report (additions, deletions, or changes), mark the appropriate sections of the final report and cross-reference them to the supporting and summary working papers that show and support the reasons for the differences.

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b. **Cross-Referencing Responsibilities**

(1) Cross-referencing working papers is normally the responsibility of the auditors assigned to perform the examination. This includes cross-referencing working papers with each other and with the audit program, and for cross-referencing the audit program, summary sheets, and all versions of the findings with the working papers.

(2) The auditor-in-charge is responsible for cross-referencing the draft audit report with the supporting working papers or summaries. The auditor-in-charge is also responsible for documenting, cross-referencing and providing adequate explanations for audit report revisions required by such things as the command-reply and editing processes.

(3) If any significant changes between the draft and final audit report occur, the level 2 supervisor (or level 1, if assigned) is responsible for getting the changes cross-referenced to the supporting working papers or summaries, and providing adequate explanations for such revisions.

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15. **WORKING PAPER REVIEWS**. The auditor-in-charge is the key audit position responsible for ensuring that working paper documentation meets Government Auditing Standards. The auditor-in-charge obtains this assurance through day-to-day supervision of subordinates and the working paper review process. Lead auditors and supervisors also are responsible for participating in this process. Because the review process is so important, responsible personnel should not carry out their duties in a superficial or perfunctory manner. The review process is important because of the need for clear, provable, and objective evidence to support the audit work. Reviewers should look at the working papers periodically during performance of the work. Periodic review fosters efficient work by eliminating accumulation of unnecessary working papers, providing direction, clearing up open questions, and allowing staff members to answer questions before reassignment. As appropriate, have auditors revise the working papers to preclude any misinterpretations or improper conclusions at a later date. The following subparagraphs present a further discussion of working paper reviews by addressing these areas:

- Review sheet documentation.
- Review levels and responsibilities.
- Use of a working paper checklist.
- Independent referencing.
- Quality assurance reviews.

a. **Documentation**. Auditors must support their reviews by preparing reviewers' notes and recording them on USAAA Form 366, Review Sheet (an example is at Appendix J). When reviewers determine auditors need to do additional work or get additional information, the review sheet will serve as a guide and control in connection with the additional work needed. In

preparing review sheets, reviewers should:

- Indicate date and extent of the review.
- List questions pertaining to the audit.
- Indicate any additional auditing, analysis, interpretation, explanation, or revisions required.

Auditors should respond to reviewers' comments or instructions and comment in writing on the actions taken or dispositions made. In turn, reviewers should provide written acceptance or direct further action.

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b. **Review by Lead Auditors**. At the beginning of each audit and as the audit progresses, lead auditors should take every opportunity to provide guidance to their assistants. The guidance should cover such aspects of working paper preparation as format, content, indexing and cross-referencing. As subordinates develop working papers, lead auditors should review the work, prepare a review sheet, and inform the subordinates of the results. When such reviews result in a requirement for additional audit work or additional information, the review sheets will serve as a guide and provide a means to document that the auditors did the additional work. If lead auditors approve working papers without additional requirements, they will indicate the date of the review on the working paper and initial it in the lower right hand corner.

c. **Review by the Auditor-in-Charge**. The auditor-in-charge should make reviews periodically as the audit work progresses. The auditor-in-charge will require auditors to turn in their working papers upon completion of audit segments for a complete formal review. If a working paper is acceptable, the auditor-in-charge should date and initial the working paper in the lower right-hand corner. In the event the review raises questions, the auditor-in-charge should place appropriate comments or instructions on a review sheet. The auditor-in-charge should fully discuss the review notes with the preparer of the working paper. As soon as the preparer satisfies the additional requirements, the auditor-in-charge should indicate final approval by dating and initialing the completed work and by signing off on the review sheet. Auditor-in-charge reviews and followup actions should be sufficiently thorough to ensure adherence to established standards.

d. **Supervisory Review**. The level 2 supervisor, or level 1 supervisor if assigned, is responsible for performing on-site reviews. Supervisors cannot delegate this responsibility. Generally, supervisors make these reviews subsequent to lead auditor and auditor-in-charge reviews. However, the supervisor will review the working papers prepared by the auditor-in-charge the same way the auditor-in-charge would review the work of others. Supervisors should review sufficient working papers to enable them to express an opinion on the adequacy of the working papers and the prior reviews by the audit staff. The supervisor will date and initial, in the lower right-hand corner, each working paper reviewed. If supervisors determine the preparer needs to do additional work, they will note the specific actions required on a review sheet. Supervisors should fully discuss the results of these reviews with the auditor-in-charge. Supervisors will follow up on all open actions. If satisfied, they will take the appropriate steps to document that actions are complete.

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e. **Additional Reviews**. When the audit has a level 1 supervisor, level 2 supervisors should review sufficient working papers to enable them to form an opinion on the adequacy and completeness of the level 1 supervisor's review.

f. **Working Paper Checklist**. Before filing working papers, a thorough review is necessary to ensure that auditors have met Government Auditing Standards. This regulation contains a check-list at Appendix I to facilitate such reviews. The checklist contains the same steps used by the Agency's Quality Assurance Team to review the adequacy of working papers (see Appendix B of USAAA Regulation 36-62, Quality Assurance Program). While the checklist at Appendix I is not mandatory, the Agency highly recommends its use not only to facilitate the final working paper review of each audit segment, but to support the response to the working paper portion of the abbreviated Quality Control Review Checklist at Appendix A of USAAA Regulation 36-62, which is a requirement for every audit. If done, an auditor at least one level of supervision above the auditor responsible for preparing the working papers should complete the Appendix I checklist. The auditor should fully explain any "no" answer on the checklist. The auditor should attach the checklist to the inside left cover of the first file folder in each series of file folders making up an audit segment (for example: File IX, Folder 1 of 3).

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g. **Independent Referencing.** The DOD Internal Audit Manual requires an independent referencer to review all draft audit reports issued by DOD audit organizations. The independent referencer reviews a cross-referenced copy of the draft audit report to ensure that the information contained in the report is correct and the working papers support this information. The working paper files must contain evidence to show that the referencer performed the required referencing and the auditors resolved all identified discrepancies. If the final audit report differs significantly from the draft in terms of facts, figures or other data that altered the meaning of the report, the independent referencer must review these changes. USAAA Regulation 36-85, Independent Report Referencing, contains a full discussion of the procedures for independent referencing.

h. **Quality Assurance Reviews.** The Agency established a quality assurance program in accordance with Government Auditing Standards and the DOD Internal Audit Manual to provide reasonable assurance that Agency auditors are complying with generally accepted government auditing standards. The Agency's program consists of four components: supervisory reviews, independent referencing, internal quality control reviews, and external quality assurance reviews. USAAA Regulation 36-62, Quality Assurance Program, contains a full discussion of this program. The Policy and Programs Division is the independent internal activity that carries out the Agency's periodic internal quality control reviews of selected audits and organizational elements and functions. During these reviews, the Division specifically covers the area of working papers. Reviewers key on the following questions:

- Were the working paper files logically organized?
- Was each file indexed with the standard table of contents?
- Were the working papers properly prepared and cross- referenced?
- Were working paper files thoroughly reviewed?

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16. **AUTOMATED WORKING PAPERS.** Automation has brought about far- reaching changes to the audit

environment. This has affected almost every aspect of the audit process. Auditors have historically relied on computer-generated products to conduct reviews of automated records. Now, with microcomputers, they not only can obtain on-line access to computer-stored records, but can also download automated records to the microcomputer for further analyses or create databases from source documents. Documentation methods have changed from handwritten working paper files to those generated through use of microcomputers and maintained on such storage devices as diskettes and hard disks. As the audit profession continues to increase its use of automated audit tools, audit approaches will change. Although the methods and techniques of working paper preparation may have changed, the standards have not. The Comptroller General's Government Auditing Standards state that auditors should treat automated working papers the same as any other working papers. Although the Government Auditing Standards for automated working papers are the same as for manually developed working papers, auditors need to address special conditions.

a. **Planning and Requirements**. Auditors have to tie auto-mated output directly to the audit objectives established at the beginning of the audit. As part of this process it is necessary to do some front-end planning and determine the file layout and the essential elements of information that are available. Also, auditors should determine what is physically in the database. The next step is to identify specific audit tests to obtain the correct amount of data the auditors need to satisfy the audit objectives. Once the auditors identify the data and the extent of audit testing, they must determine the most effective and efficient means of collecting the data. The source of the data and the nature of the tests auditors need to perform will be key factors in deciding whether to use a microcomputer or remain with more conventional manual methods. Microcomputers, for example, are most effective when (i) audit tests require extensive mathematical computations; (ii) auditors need to perform a "what if" analysis; or, (iii) they need to analyze large amounts of data to confirm or deny that certain conditions are present. The nature of the data and the objectives the auditors need to accomplish will, to a great extent, dictate the best approach to designing the working papers. Micro-computers provide a distinct advantage because of their built-in redesign capability without loss of data. In contrast, errors in the design of manual working papers can result in lost effort.

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b. **Considerations**. The considerations for using data from computerized sources are the same as for any other source--the data must be consistent, valid, reliable, and so forth. Therefore, an auditor must look behind the data to determine such things as what data collection instruments and procedures command used, and what internal controls were present in the system to ensure reliability of the data. (See USAAA Regulation 36-666, Assessing the Reliability of Computer-Processed Information.)

c. **Benefits**. By using computers, auditors can collect, compile, and analyze data as well as document the results without costly manual processing. Obtaining and keeping data on the computer facilitates analysis which would be too costly, time-consuming, or otherwise not possible using alternative methods. Auditors should use Agency computer resources and expertise when ever possible in order to keep data collection costs to a minimum.

d. **Downloading**. Auditors can obtain automated information using several methods. They can transfer information from another computer (download) or manually enter the data. The preferred method of obtaining data is downloading. Auditors can accomplish this by direct connection to a host computer (hard wire), by using a modem to transfer the data over telephone lines, or by using a storage media that is common to both computers. When transferring data,

auditors should establish controls to ensure that the downloaded data is complete and accurate. They should use record counts to verify that the downloaded files contain the same number of records. When auditors manually enter data, they should verify it. Ideally, one auditor should enter the data and another verify it. Auditors should use an alternate means of verification when this is not possible. For example, they can randomly test data for accuracy. Auditors should make a backup copy of downloaded files before selecting or analyzing data. This technique allows reconstructing the database if necessary. Auditors should not store backup files on the same storage media or in the same place.

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e. **Verification**. It is essential that auditors check auto-mated data against source documents to make sure the data is correct. The microcomputer is not an auditor; it cannot overcome poor audit techniques, thinking or planning. The microcomputer does only what an auditor instructs it to do with the data provided. The auditor either enters the data into the microcomputer or obtains it from other computer databases or data storage media (diskettes, magnetic tapes, or punch cards).

f. **Documentation**. Auditors should maintain computer listings developed by themselves in the working paper files to support conclusions. If these listings are too massive, computer listings can be put on diskettes or tapes and the Agency should keep them for 2 years after the DA Inspector General closes the command-reply process. In any case, auditors will logically and clearly summarize and keep in the working paper files essential data and the conclusions drawn from it. When auditors do work using the computer, they should sufficiently document each step to permit anyone else to repeat the process if necessary. This narrative documentation must identify the database used, any type of edit routines used, special computer software programs used, and any other factors used in performing the computer analysis. Auditors should present this documentation in plain English. Some specific examples which highlight these requirements follow.

(1) When auditors create a database by manual keying from source documents or downloading from mainframes, factors such as time, available resources, access to technical expertise, and acceptable error rates will likely influence the level of effort devoted to validating data input.

(2) When auditors use a statistical sampling package to create a file and download data from a host computer, they must consider several important factors. For instance:

- Did the auditor have access to all computerized records within the audit universe?
- Was the statistical sample accurate?
- Were all the records downloaded accurately?
- Were the records accurately reformatted for micro-computer use?

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The working papers should contain automated and written copies of all computer programs and pertinent data files critical to sup-porting the audit results. In addition, auditors should maintain documentation describing the downloading process used. Failure to retain pertinent

documentation could prevent auditors from later substantiating the findings.

(3) When auditors use mathematical formulas developed as part of the application programs, they should verify the formulas. In addition, auditors should print out those formulas used to perform computations and place them in the working papers.

(4) When using automated database management systems, auditors should obtain a magnetic tape copy of the database as it existed at the time of the queries, and copies of the specific queries that they used to develop the audit results. Without this information, the logic of the queries and resulting observations may be difficult, if not impossible, to recreate at some future date.

(5) When auditors use Agency developed software programs, they should retain a copy of all programs and the supporting documentation as part of the working paper files.

(6) Auditors must prepare a hard copy index identifying the contents of each diskette or tape.

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g. **Final Review of Automated Working Papers**. Auditors should make a special review of all automated working paper files, records, and magnetic media at the end of the audit. Convert into hard copy printouts and incorporate into the regular working paper files any data, analysis, files, or other audit work that is essential to the audit conclusions. Auditors should label and keep magnetic stored data and files in a separate location from the original files. Also, auditors should download all removable hard disk packs onto diskettes so they or other auditors can use the disk packs for other audits. If auditors borrow any tapes from command they should return them. The auditors should purge any Agency-owned tapes or diskettes that they no longer need and return them to the region's computer specialist for reuse. Auditors should police work areas and desks to make sure they do not leave diskettes or tapes at the audit site.

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17. **SAFEGUARDING FILES**

a. **Physical Protection**. Auditors should protect working papers to ensure that the papers are accessible only to authorized persons:

(1) During the day, auditors should not leave working papers in places accessible to the public, personnel of the audited activity, or other unauthorized persons.

(2) Unclassified working papers do not require special handling and auditors may store them in unlocked containers within Agency offices. Elsewhere, auditors should secure unattended working papers in locked containers.

(3) Some unclassified information requires special handling. For example, auditors must withhold unclassified FOR OFFICIAL USE ONLY information from the public. To qualify for this protective marking, the information must meet one of the nine Freedom of Information Act exemption categories described in AR 25-55, Chapter III. Examples of these exemptions are: procurement sensitive or proprietary data, medical quality assurance records, potential fraud and serious incident files,

security files, and personnel files. A full discussion of the FOR OFFICIAL USE ONLY marking is in AR 25-55, Chapter IV.

(4) During duty hours, auditors will place FOR OFFICIAL USE ONLY material in an out-of-sight location if the work area is accessible to unauthorized personnel. At the close of business, auditors will store FOR OFFICIAL USE ONLY material so as to preclude unauthorized access. Filing such material with other unclassified records in unlocked files or desks is adequate when normal U.S. Government or government contractor personnel provide internal building security during nonduty hours. When such internal security control is unavailable, locked buildings or rooms normally provide adequate after-hours protection. If auditors feel adequate protection is not available for FOR OFFICIAL USE ONLY material storage, they should use locked receptacles such as file cabinets, desks, or bookcases. Regardless, auditors should store files containing sensitive personal information such as security and personnel files in locked containers. They should also keep working papers containing procurement sensitive information in secured containers until bid opening.

(5) When dealing with classified material that auditors will include as part of a working paper file folder, they must use a safe approved by the General Services Administration to maintain those particular working papers. A working paper having a classified document attached to it, or containing classified information, must have identifying classification markings on both top and bottom. Auditors must also mark and maintain the entire working paper file folder accordingly. It is permissible to establish a separate classified file folder (or more if needed) for confidential working papers and a separate file folder for secret papers. Auditors will number the files with the same file folder number as the unclassified file folder, and they will index the classified working papers in sequence to their rightful place in the unclassified file folder. Auditors will also place a blank page in the applicable location in the unclassified file folder containing only a reference to the classified working papers.

(6) When auditors find it necessary to leave unclassified working papers in an unattended vehicle, they must make sure they conceal the working papers. For example, lock the working papers in the trunk of an automobile or place them under the seat of a locked truck or van. Never leave classified working papers unattended.

(7) The auditor-in-charge is responsible for systematically employing all necessary safeguards at audit sites. If the auditor-in-charge cannot make satisfactory arrangements to adequately safeguard working papers at audit sites, the auditor-in-charge should bring the matter to the attention of the level 1 or 2 supervisor, as appropriate, to determine suitable measures the auditors should take.

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b. **Automated Working Papers**. Auditors must take measures to adequately secure and protect automated working papers. At all times auditors need to take normal precautions to preclude damage to the diskettes from things such as static electricity, magnetism, airport detection devices, and heat. These things can lead to erasure or unreadability of data recorded on hard

disks or diskettes. Therefore, auditors should back up automated working papers stored on hard disks or diskettes. The recommended procedure is:

- Day 1 -- Copy the work diskette or hard disk file(s) to backup Diskette "A"
- Day 2 -- Copy the work diskette or hard disk file(s) to backup Diskette "B"
- Day 3 -- Copy the work diskette or hard disk file(s) to backup Diskette "A"
- Day 4 -- Copy the work diskette or hard disk file(s) to backup Diskette "B"

By following this procedure, auditors will always have their data stored on three different disks, giving triple protection. In addition to the working copy, they should store one copy with the rest of the working papers and one copy at a different location in a safe, cool, dry place that is easily accessible when and if needed. Auditors should convert important automated working papers, analyses, or audit results to hard-copy printouts as soon as possible. The hard-copy printouts will provide additional protection in case the magnetic media become lost or are no longer usable. USAAA Pamphlet 380-1, Automation Security, provides detailed guidance over the security of microcomputers and magnetic media.

c. **Release to Others**. The release or review of working papers by other organizations having an interest in a particular audit area must be in accordance with USAAA Regulation 36-78, Relationships with Commanders and Organizations External to USAAA. Auditors should refer any questions regarding the release of audit information to the Policy and Programs Division.

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18. **RETAINING FILES.** DOD Directive 7600.2, Audit Policies, states that auditors shall retain audit working papers, documents, and files for a minimum of 2 years after issuance of the final audit report. However, AR 25-400-2, The Modern Army Recordkeeping System, states that for audits of military establishments, audit organizations may destroy audit working papers 1 year after completion of the command reply closeout. Since the final report issue date and the closeout date would not necessarily result in destruction in the same time period, the Agency's policy for appropriated fund audits is to retain working papers for 2 years from the closeout of an audit or until completion of the succeeding audit. This policy is in keeping with the DOD Directive. We have made the proponent of AR 25-400-2 aware of the DOD Directive and requested them to make the appropriate changes. Auditors should dispose working papers in accordance with the instructions at Appendix K. AR 25-400-2 and AR 380-5, Department of the Army Security Program, provide other guidance on the maintenance and disposition of working papers.

a. **Exceptions.** Auditors should avoid destroying files they may need for future reference. Certain factors--controversial or current interest subjects or audit followup candidates--may necessitate holding working papers for longer periods than shown in Appendix K. For example, an ongoing congressional investigation or pending litigation may require continued reference to the working paper files.

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b. **Partial Retention.** If circumstances warrant the retention of only a portion of the working paper files from an audit beyond the normal holding period, keep those papers but destroy the remaining files. Auditors should not send obsolete or superseded audit material to records holding centers.

c. **Automated Working Papers.** Maintain and dispose working papers stored on diskettes or

other media under the same rules as any other working papers.

d. **Official Audit Report and Command Reply Files.** The Policy and Programs Division maintains the official audit report and command reply files. USAAA Regulation 36-69, Establishing and Maintaining Headquarters Files on USAAA Audit Reports, contains a full discussion regarding the retention of these files.

FOR THE AUDITOR GENERAL:

THOMAS DRUZGAL
Director, Audit Policy,
Plans and Resources

THE PROPONENT OF THIS REGULATION IS THE DIRECTOR, AUDIT POLICY, PLANS AND RESOURCES. THE AGENCY INVITES USERS TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PRP.

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APPENDIX A

REFERENCES AND RELATED PUBLICATIONS

GAO Publication	Government Auditing Standards
DOD Directive 7600.2	Audit Policies
DOD 7600.7-M	Internal Audit Manual
AR 11-2	Internal Management Controls
AR 25-50	Preparing and Managing Correspondence
AR 25-55	The Department of the Army Freedom of Information Act Program
AR 25-400-2	The Modern Army Recordkeeping System
AR 36-5	Auditing Service in the Department of the Army
AR 36-7	Professional Audit Standards
AR 380-5	Department of the Army Security Program
USAAAR 1-206-1	Safeguarding Defense Information
USAAAR 36-31	Entrance and Exit Conferences
USAAAR 36-53	Writing Audit Reports
USAAAR 36-55	Correct and Preferred Usage in Audit Reports
USAAAR 36-61	Transmittal of Tentative Findings and Recommendations and Draft Audit Reports
USAAAR 36-62	Quality Assurance Program
USAAAR 36-69	Establishing and Maintaining Headquarters Files on USAAA Audit Reports
USAAAR 36-73	Audit Programs
USAAAR 36-75	Auditor Responsibilities
USAAAR 36-78	Relationships with Commanders and Organizations External to USAAA
USAAAR 36-85	Independent Report Referencing

USAAAR 36-100	Statistical Sampling for Audits
USAAAR 36-101	Analytical Techniques
USAAAR 36-666	Assessing the Reliability of Computer-Processed Information
USAAAR 600-35	Performance Standards
USAAAR 380-1	Automation Security
USAAA Publication	USAAA Handbook for Conducting and Managing Audits

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APPENDIX B

DEFINITIONS

Audit Lead Sheet. A form used to document a possible significant deficiency disclosed during an ongoing survey or audit that war-rants further exploration to prove the actual existence or magnitude of the deficiency. Verification of a significant deficiency would lead to the preparation of a tentative finding and recommendation.

Audit Program. A carefully defined plan of action that sets forth the detailed steps and audit techniques for getting information to accomplish the objectives of the audit.

Competent Evidence. Evidence that is reliable and the best obtainable through the use of reasonable audit methods. For example, auditors should use available Tables of Distribution and Allowances instead of morning reports when documenting a unit's authorized strength.

Conclusion Section. Auditors' interpretations of the evidence stated in relation to the purpose of the audit.

File. A specifically identifiable administrative or functional segment of an audit used to control the logical grouping of related working papers and facilitate referencing. (For example, File I - Master Index, File II - Final Audit Report, File IX and higher - Individual Audit Execution Segments.) A file may consist of one or more folders.

Folder. A container for holding a collection of related working papers arranged in a logical order.

Indexing System. A uniform, logical method of labeling working papers that facilitates the control and review of audit files and preparation of the audit report.

Master Index. A list of all the various files of the audit by reference label for easy referral.

Memorandum For The Record. A document used to preserve the details of a conversation, meeting, or other event, that relates to either the audit in general or a specific segment.

Purpose Section. That portion of the working paper that explains why the audit work was undertaken, and what the auditor is trying to accomplish.

Relevant Evidence. Refers to the relationship of evidence to its use. Information used to prove or disprove an issue must have a logical and sensible relationship to that issue.

Results Section. This section of the working paper provides a factual summary of the evidence obtained in relation to the objective.

Scope Section. The portion of the working paper which defines the parameters of the information obtained to answer the question in the purpose section. It also describes how the auditor did the audit work as well as the audit period.

Source Section. That portion of the working paper that identifies where the data came from.

Sufficient Evidence. The presentation of enough evidence to lead a prudent person to the same conclusion as the auditor. Determination of what is sufficient requires judgment.

Summary. A summary, as the name implies, sums up in a clear, concise, and convincing manner the essence of the work performed in an area, the results achieved, the conclusions reached, and recommendations, if any, contained in or supported by the working papers.

Table of Contents. The Table of Contents list all the working papers contained in the file.

TFAR Outline. An outline of the tentative finding and recommendation that includes (i) a summary finding paragraph, (ii) a discussions outline, and (iii) potential recommendations. Supervisors will review and approve the outline before auditors formally write the TFAR. A copy of the approved outline will be included in the working paper files.

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APPENDIX C

INDEXING SYSTEM

A uniform, logical method of filing and arranging audit working papers is necessary to ensure maximum use of the material, and to facilitate the control and review of audit files and preparation of the audit report. Although auditors encounter a wide variety of audit types, the system described below allows flexibility to meet the needs of most audits, and provides the degree of uniformity which is desirable for review and control purposes.

1. **Organization of Files**. Each major file has a Roman numeral designation, as follows:

	File Subject	File Content
I	Master Index	Index of Files
II	Final Audit Report	Independent Referencing Documentation, if needed Final Report (Cross-Referenced, if needed) Final Report Package
III	Draft Audit Report	Independent Referencing Documentation Draft Report (Cross-Referenced) Potential Monetary Benefits Command Comments on Report
IV	Tentative Findings, Recommendations and Command Replies	Tentative Findings Potential Monetary Benefits Command Replies on Findings and Recommendations

V	Administrative Controls	Time Controls Audit Programming Data Audit Status Reports Travel Controls
VI	Correspondence and Conference Notes	Incoming and Outgoing Correspondence Memos of Important Meetings and Phone Calls Trip Reports Briefings Data on Workshops and In-Process Reviews
VII	Background Information	Entity Data (Organization and Resources) Regulations, SOPs Prior Audits Audit Proposals
VIII	Audit Plan and Survey/Audit Program	Audit Plan Survey/Audit Program Audit Circular Guides
IXX	Survey of Audit Execution Files	Survey/Audit Segments, etc.

*Note: Use individual file number for each survey or audit execution file relating to a specific objective/segment, as needed. If auditors need more than one folder in a file, they should label them "File No. X, Folder 1 of 3; Note: Use individual file numbers for each survey or audit execution file relating to a specific objective/segment, as needed. If auditors need more than one folder in a file, they should lab No. X, Folder 1 of 3;File No. X, Folder 2 of 3, and so on." File VIII will contain the overall audit plan as well as copies of the individual survey/audit programs contained in the survey and execution files. Always use the standard Roman numerals assigned to each major file, that is, "I" will always be the Master Index, "II" the Final Audit Report, and so on. If auditors do not use a particular Roman numeral, they should still list it in the table of contents and annotate it as not used, for example, "VII - Background (not used)."*Top

2. File Folder Table of Contents. Each file folder will have as the first page an index titled, "Table of contents." Working papers and material contained in files IX and higher will relate to a specific audit segment (for example, IX - Travel Controls, X - Equipment Maintenance, XI - Supply Operations). Index the file contents of these audit segments using alphabetic letters as follows:

A	Reviewer's Comments
B	Draft Finding and Command Reply, Audit Guide Reply, or Survey Summary
C	Summaries (by Area)
D	Audit Lead Sheets/TFAR Outlines
E	Correspondence and Memos
F	Survey Program -Include survey time controls by area with survey working papers assigned consecutive numbers as needed (F-1, F-2, F-3, and so on)with numerical designation corresponding to the step in the survey program.
G	Audit Program or Circular - Include audit execution time controls by area.
H thru Z	Audit Working Papers

Put the names and initials of auditors and reviewers at the end of the Table of Contents. In the event auditors do not use any of the contents A through G, they should still list them in the index and annotate "not used."

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3. **Indexing Audit Segments**. The indexing system used for each audit segment should bear a direct relationship to the audit pro-gram for that segment of the audit. For example, if the audit program relating to one audit segment contains three steps, the indexing system, as shown in the "Workpaper Reference" column below, would be:

File Number	Audit Segment	Audit Step	Workpaper Reference
IX	Travel Controls	1 (Travel Advances)	H
		2 (Travel Orders)	I
		3 (Travel Vouchers)	J

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If the audit program contains substeps, or if additional steps are added later, the indexing system would be:

Audit Step	Workpaper Reference
1a	H-1
1b	H-2
2a	I-1
2b	I-2
2c	I-3
3a	J-1
3b	J-2
3c	J-3
3d	J-4

If a working paper has multiple pages, use:

H-1,	H-1,	H-1
1 of 3	2 of 3	3 of 3

to number the consecutive pages. If an audit requires the application of the same audit step at more than one location, such as at three different units, use a working paper indexing scheme that relates the step to the locations, for example, H-2A, H-2B, H-2C, and so on.

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If a working paper (for example, H-2C) has multiple pages, use:

H-2C	H-2C	H-2c
1 of 3	2 of 3	3 of 3

and so forth to number the consecutive pages. This system will greatly facilitate review at all levels and the subsequent use of the files by other auditors.

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4. Placement of File, Folder, and Index Numbers. File, folder, and index numbers will be placed at the lower left-hand corner of each individual working paper (in red pencil or underline with red pencil if computer generated). Always show the file and folder number together with the index number referencing the working paper. For example:

File IX
1 of 1

W/P H-1
1 of 3

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5. **Automated Indexing System**

a. Quality Initiative Paper 94-31, dated 8 August 1994, informs Agency personnel that, after successful testing, the Quality Council approved an automated working paper indexing system for Agencywide use. The system decreases the number of repetitive manual tasks that auditors do on every audit and uses WordPerfect to print:

- A set of file indexes for an audit, based on the indexing system required in USAAAR 36-72.
- Preprinted footers for working papers. These footers are useful for attaching 11-inch documents to 14-inch working papers.
- A set of administrative folder labels.
- A set of folder labels for each audit area.
- The name, location, and assignment number of the audit on labels for working papers.

b. The automated indexing system is maintained as a separate document in the Agency's electronic library. For specific instructions on its use, access the electronic library's "Miscellaneous" item on the main menu. Select the "View a File" option and enter "indexing.txt" as the file to be viewed.

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APPENDIX D

APPENDIX E

APPENDIX F

APPENDIX G

APPENDIX H

WORKING PAPER PREPARATION TIPS

The following items provide some practical "do's" and "do not's" to consider when preparing working papers.

Do:

- Write legibly and in pencil when preparing working papers that are not computer-generated.
- Use plenty of paper - do not skimp on space. Write on every other line (double space) when writing the results and conclusions sections of a working paper.
- Identify all working papers.
- Initial and date working papers.
- Explain all tick marks, and keep marks simple.
- Document all significant discussions and, to the extent possible, verify key points used to support findings and recommendations.
- Identify individuals interviewed by name, position, office, and phone number.
- Differentiate between fact and opinion.
- Show details of deficiencies clearly.
- Keep current on preparation of working papers including indexing and cross-referencing.
- Explain the scope and methodology used to conduct an analysis and identify all assumptions made.

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Do Not:

- Prepare a working paper without knowing why.
- Use unexplained jargon, shop talk, or non-professional language.
- Formulate a conclusion that is not supported by the working papers.
- Complete an area or submit a tentative finding and recommendation without documenting the discussion of audit results with responsible officials.
- Include information in a tentative finding and recommendation which is not included in the working papers.
- Discontinue an analysis or review without an explanation.
- Consider a tentative finding and recommendation complete until it is cross-referenced to the working papers.
- Retain irrelevant material when finalizing working papers.

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APPENDIX I

WORKING PAPER CHECKLIST

Audit Title:

Audit Assignment Number:

Audit Segment:

While not mandatory, the Agency recommend that auditors use this checklist as a guide to facilitate the review of working papers. The checklist contains the same steps used by the Quality Assurance Team to review the adequacy of working papers. Whether or not auditors use this checklist, the working papers must be in shape to pass a quality assurance review. (See Appendix B of USAAA Regulation 36-62, Quality Assurance.)

	Yes	No
A. Organization - Were the working paper files logically organized?		
Did they include:		
1. Title and location of audit?		
2. Audit assignment number?		
3. Audit segment?		
4. File number		
B. Indexing and Contents - Was each file numbered and indexed in accordance with Appendix C of USAAA Regulation 36-72?		
For file folder IX and higher, did the table of contents include:		
1. A - Reviewer's comments?		
2. B - Draft finding and command reply, audit guide reply, or survey summary?		
3. C - Summaries by area:		
4. D - Audit lead sheets?		
5. E - Correspondence and memos?		
6. F - Survey program with survey time controls?		
7. G - Audit program or circular with audit execution time controls?		
8. H thru Z - A description of each major series of audit working papers?		
C. Preparation and Cross Referencing - Were the working papers properly prepared and cross-referenced?		
Were the working papers:		
1. Neat and legible?		
2. Relevant?		
3. Initialed and dated by the auditor who prepared the papers?		
4. Initialed and dated by the working paper reviewer?		
5. Indexed in a consistent fashion in accordance with the Agency standard indexing system?		
6. Cross-referenced, as appropriate, one to another, to the audit program or circular, to audit guide replies on multilocation audits, to summary schedules and narrative analysis, to tentative findings and recommendations, to the draft report, and to the final report, if needed?		
7. Bound neatly and securely?		
8. Properly formatted?		
Did they contain:		
• Working paper identification data, that includes title of audit, location of audit and audit assignment number, audit segment covered by the working paper, and the title of the working paper?		
• A statement explaining the purpose, source, scope, and results of the audit work, and the specific conclusions reached?		
• A legend explaining any tick marks or symbols used?		
D. Review - Were working paper files thoroughly reviewed, and were the working papers		

adequately explained and presented?

Specifically, did the working papers contain:

1. Reviewers' comments from the working paper preparers' supervisor (i.e., lead auditor, auditor-in charge, supervisory auditor, or audit manager)?
2. Signature and date of review?
3. Follow-up, and close-out of questions raised during the review process?
4. Comments that explain why steps in audit programs, including guides in USAAA circulars, were eliminated, curtailed, or revised?
5. Sampling plans that explain the objectives and approach followed in applying statistical and judgmental sampling techniques?
6. Thorough step-by-step explanations of computer audit techniques used (such as: automatic data processing retrievals, edit routines, sort routines, and special analysis computer programs)?
7. Adequate documentation that clearly supports and explains potential monetary benefit computations?
8. Audit conclusions that ere logical and fully documented?
9. A master index of the working paper files relating to the audit that was available and filed as File I?
10. The fact that all files relating to the audit were accounted for and filed in the proper sequence?
11. A copy of the draft report cross-referenced to, and filed with the working papers?
12. A copy of the final report cross-referenced to, and filed with the working papers, if any new factual statements had to be cross-referenced?

Other Remarks:

Prepared by: *

Name:

Title:

Date:

* Auditor at least one level above auditor preparing working papers.

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APPENDIX J

REVIEW SHEET

*****REVIEW SHEET*****		
U.S. ARMY AUDIT AGENCY ACTIVITY _____		
REVIEWER'S NAME:	**AUDIT OF:**	**DATE OF REVIEW:**
POSITION:		**PAGE ___ OF ___ PAGES**
W/P REF	**REVIEWER'S COMMENTS**	**AUDITOR'S ACTION**

REVIEWER'S STATEMENT ON POST REVIEW ACTIONS TAKEN BY AUDITORS

All actions required of auditor by above comments have been completed

REVIEWER	POSITION	DATE

USAAA FORM 366
January 1992

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APPENDIX K

DISPOSITION OF AUDIT FILES AND WORKING PAPERS

DESCRIPTION **DISPOSITION**

MILITARY ESTABLISHMENT AUDIT FILES: (Documents created or accumulated by USAAA in the performance of scheduled and special audits of DA command, installations, and activities.)

Official Audit Report and Command Reply Files	Destroy after completion of the official command reply closeout on the next succeeding audit, or 3 years after the official command reploy closeout on the current audit.
Survey Reports	Survey reports/related working papers may be destroyed when no longer needed for current operations.
Audit Working Papers	Audit working papers will be destroyed 2 years after completion of the official command reploy process.

RED CROSS AUDIT FILES

Audit Working Papers/Related Documents	Destroy after completion of next annual combined audit.

NONAPPROPRIATED FUND FILES

Audit Working Papers/Certified Public Accountant Reports/ Correspondence/Related Documents	Destroy after completion of next audit performed by either USAAA or a Certified Public Accountant.
AUDIT BACKGROUND FILES	Destroy when no longer needed for current operations.
COMMERCIAL ACTIVITY REVIEWS	Destroy after completion of next review or 2 years after final decision was made.

FOR OFFICIAL USE ONLY FILES:

Audit Reports/Audit Working Papers	Destroy nonrecord copies by tearing each copy into at least four pieces to preclude reconstruction, and place them in regular trash containers. Dispose of record copies in accordance with AR 25-400-2.

CLASSIFIED DOCUMENTS:

Audit Reports/Audit Working Papers	By burning; or with approval of the cognizant component head or designee by shredding, or mutilation beyond recognition or reconstruction. For SECRET or TOP SECRET material, destruction records are required and are to be kept for 2 years.

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I - (FILE COVER FORMAT)

TITLE AND LOCATION OF AUDIT

AUDIT ASSIGNMENT NO.

TITLE OF FILE

FILE NO. _____

FOLDER __ OF __

TITLE/LOCATION OF AUDIT (AUDIT ASSIGNMENT NO.)

TITLE OF FILE

FILE NO. ____ FOLDER __ OF __

II - (FILE COVER EXAMPLE)

AUDIT OF MILITARY PAY
FORT SMITH, NV
(W2-123C)

BASIC ALLOWANCE FOR QUARTERS

FILE NO. X

FOLDER 1 OF 1

AUDIT OF MILITARY PAY FORT SMITH, NV (W2-123C)

BASIC ALLOWANCE FOR QUARTERS

FILE NO. X FOLDER 1 OF 1

APPENDIX E

EXAMPLE - SUMMARY WORKING PAPER

Purpose: To determine the number of soldiers at Fort Smith who were improperly receiving a basic allowance for quarters as of 30 September 1991 (Audit Steps 1., 2., and 3.).

Source: (1) Military Pay Records - Military Pay Branch
Building 1, Room 5 DSN 388-2243

(2) Unit Status Reports - Operations Branch
Building 1, Room 10 DSN 839-2246

(3) Non-Availability Statements - Family Housing Branch
Building 1, Room 17 DSN 388-2222

Scope: We selected a statistical sample from Fort Smith's 1,850 military pay records, as of 30 September 1991. After downloading the records to a microcomputer, we used an automated statistical sampling program provided by SAAG-PRA (Automation and Audit Support Division) to take a random sample of 100 pay records. We used these records to evaluate in-processing of personnel, non-availability statements issued, and soldiers occupying government quarters.

Results: The statistical sample, upon audit verification, showed that

TFAR A Pgs 1/2

26 percent or a projected 481 of 1,850 assigned personnel were not entitled to receive a basic allowance for quarters. Those not entitled to the allowance fell into two categories:

TFAR A Page 2

- Soldiers (16 percent or 296 individuals) who were drawing a basic allowance for quarters even though they occupied government

File X	**Audit of Military Pay**			
(1 of 1)	**Fort Smith, NV (W2-123C)**			
W/P K-1	**Basic Allowance for Quarters**		Initials	Date
(1 of 3)	**Analysis of Personnel Entitlements**	Prepared By	J.J.	10/4/91
		Approved By	L.P.	10/7/91

	quarters and were not authorized the allowance. (See File X, Folder 1 of 1, W/P I-3, Page 1 of 3.)
TFAR A Page 2	- Soldiers (10 percent or 185 individuals) who were drawing a basic allowance for quarters and living off post even though suitable government quarters were available. (See File X, Folder 1 of 1, W/P H-12, Page 1 of 3.)
	This situation occurred because:
TFAR A Page 3	- In-processing procedures were weak. (See File X, Folder 1 of 1, W/P H-12, Page 1 of 1.)
TFAR A Page 3	- The practice of housing units separately for unit integrity allowed available space to be categorized as unavailable, and therefore go unused. (See File X, Folder 1 of 1, W/P H-11, Page 1 of 1.)
TFAR A Page 4	- Unit commanders and the Family Housing Branch did not adequately perform the annual verification of housing allowance entitlements. Unit commanders sometimes did not verify entitlements. The Family Housing Branch did not effectively reconcile housing allowance and

File X	**Audit of Military Pay**			
(1 of 1)	**Fort Smith, NV (W2-123C)**			
W/P K-1	**Basic Allowance for Quarters**		Initials	Date
(2 of 3)	**Analysis of Personnel Entitlements**	Prepared By	J.J.	10/4/91
		Approved By	L.P.	10/7/91

	occupancy records. (See File X, Folder 1 of 1, W/P I-3, Page 1 of 3, and W/P J-1, Page 1 of 1.)
TFAR A Pgs 1/2	The estimated annual payments to the 481 individuals totaled about $1,587,000. (See File X, Folder 1 of 1, W/P K-2, Page 1 of 1.)
TFAR A Pgs 1/2	**Conclusion:** We estimated that 481 of the 1,850 Fort Smith personnel were receiving an unauthorized basic allowance for quarters as of 30 September 1991. The estimated annual cost of the 481 payments is about $1,587,000.

File X	**Audit of Military Pay**			
(1 of 1)	**Fort Smith, NV (W2-123C)**			
W/P K-1	**Basic Allowance for Quarters**		Initials	Date
(3 of 3)	**Analysis of Personnel Entitlements**	Prepared By	J.J.	10/4/91
		Approved By	L.P.	10/7/91

APPENDIX F

EXAMPLE - SUPPORTING WORKING PAPER

Purpose: To determine the number of statements of non-availability for housing issued by the Family Housing Branch over the past 6 months (Audit Step 1.d.).

Source: Statement of Non-Availability Files
Family Housing Branch
Building 2, Room 10
DSN 388-2222

Scope: All statements of non-availability issued from 1 April through 30 September 1991.

Results: Records of the Family Housing Branch, confirmed by our manual count, show the following month-by-month breakout of statements of non-availability issued:

April	120	July	100
May	110	August	95
June	105	September	135
			665

Conclusion: Over the past 6 months, the Family Housing Branch issued 665 statements of non-availability. (Note: Using this information, we will select a sample of the statements in order to perform Audit Steps 1.d.(1), (2), and (3). See File X, Folder 1 of 1, W/P H-10, Page 1 of 3.)

File X	**Audit of Military Pay**			
(1 of 1)	**Fort Smith, NV (W2-123c)**			
W/P H-9	**Basic Allowance for Quarters**		Initials	Date
(1 of 1)	**Statements of Non-Availability Issued**	Prepared By	J.J.	10/4/91
		Approved By	L.P.	10/7/91

APPENDIX G

EXAMPLE - AUDIT PROGRAM

Workpaper Reference	Audit Objective	Auditor Days Est.	Auditor Days Actual
	Evaluate the effectiveness of internal controls of the Housing Division in processing documents that affect basic quarters allowance payments. Specifically: - Determine whether soldiers occupying government quarters are drawing a basic allowance for quarters. (Note: Soldiers can live in government quarters and be authorized the allowance because of family separation or secondary family members.) - Determine whether soldiers were drawing a basic allowance for quarters and living off post when suitable government quarters were available.		
	Audit Steps		
File X (1 of 1) W/P H-1 1 of 1	1. Evaluate installation procedures for the in-processing of personnel in regards to assignment of government quarters. Two forms, DD Forms 1746 and 1747, are used for internal control purposes.	30	29
File X (1 of 1) W/P H-2 1 of 1	a. Determine whether the Family Housing Branch receives the DD Forms 1746 from soldiers being assigned to the installation.		
File X (1 of 1) W/P H-3 1 of 3	(1) For DD Forms 1746 received during the past 6 months, select a sample and compute the time required to respond to the applicants with a DD Form 1747.		
File X (1 of 1) W/P H-4 1 of 2	(2) Review DD Forms 1747 and determine for those forms which indicated that housing was available if the soldiers were actually assigned to quarters. If not, determine why.		
File X (1 of 1) W/P H-5 1 of 1	b. Determine whether incoming personnel are to report to the Family Housing or Billeting Branches as part of normal in-processing procedures. Ascertain what controls exist to ensure compliance.		

			Initials	Date
File X	Audit of Military Pay	Prepared By	J.J.	8/2/91
(1 of 1)	Fort Smith, NV (W2-123C)	Approved By	L.P.	8/6/91
W/P G-1	Basic Allowance for Quarters			
(1 of 3)	Audit Program for Housing Division			

Workpaper Reference	Audit Steps (Cont'd)	Auditor Days Est.	Auditor Days Actual
File X (1 of 1) W/P H-6 1 of 3	c. Obtain from the finance office a list of soldiers arriving at the installation in the last 60 days. Select a random sample and determine whether they processed through the Family Housing or Billeting Branches.		
File X (1 of 1) W/P H-7 1 of 2	(1) For those soldiers that did not process through the Family Housing or Billeting Branches, determine whether government quarters were available at the time of arrival and whether they are receiving a quarters allowance.		
File X (1 of 1) W/P H-8 1 of 1	(2) For those soldiers found to be receiving the allowance and who did not report to the Family Housing or Billeting Branches, compute the dollar impact.		
File X (1 of 1) W/P H-9 1 of 1	d. Determine the number of statements of non-availability for housing issued by the Family Housing Branch over the past 6 months.		
File X (1 of 1) W/P H-10 1 of 2	(1) Select a sample of the non-availability statements and from usage records verify that housing was not available on the dates of the non-availability statements.		
File X (1 of 1) W/P H-11 1 of 1	(2) If government housing/quarters were available, determine the reasons the statements were issued.		
File X (1 of 1) W/P H-12 1 of 3	(3) Determine whether soldiers were drawing a basic allowance for quarters and living off post when suitable government quarters were available.		
File X (1 of 1) W/P I-1 1 of 2	2. Obtain a listing of soldiers occupying government quarters from the Housing Division and select a sample.	25	22
File X (1 of 1) W/P I-2 1 of 5	a. For soldiers in the sample, determine from the personal financial records if the soldiers are receiving basic allowance for quarters. If so, determine if the allowances were authorized because of family separation or secondary family members.		

			Initials	Date
File X	Audit of Military Pay	Prepared By	J.J.	8/2/91
(1 of 1)	Fort Smith, NV (W2-123C)	Approved By	L.P.	8/6/91
W/P G-1	Basic Allowance for Quarters			
(2 of 3)	Audit Program for Housing Division			

Workpaper Reference	Audit Steps (Cont'd)	Auditor Days Est.	Auditor Days Actual
File X (1 of 1) W/P I-3 1 of 3	b. If the allowances were not authorized because of these reasons, determine why the soldiers are receiving the allowance and determine if procedures such as the Housing Allowance Entitlements Verification Program should be modified to prevent reoccurrence.		
File X (1 of 1) W/P J-1 1 of 1	3. Based on the verification work involving internal controls done in accordance with steps 1. and 2., form a conclusion on the effectiveness of internal controls over authorization for payment of Basic Allowance for Quarters.	5	3
	Auditor Day Totals	60	54

File X	Audit of Military Pay			
(1 of 1)	Fort Smith, NV (W2-123C)			
W/P G-1	Basic Allowance for Quarters		Initials	Date
(3 of 3)	Audit Program for Housing Division	Prepared By	J.J.	8/2/91
		Approved By	L.P.	8/6/91

DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATED ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION 36-73 **10 March 1995**

Audit

AUDIT PROGRAMS

Purpose

Applicability

References and Related Publications

Definition

Background

Policy and Guildelines

Responsibilities

Appendix - References and Related Publications

1. PURPOSE. This regulation prescribes Agency policy and furnishes guidance for developing, using and revising audit programs.

2. APPLICABILITY. The provisions of this regulation are applicable to all Agency audits.

3. REFERENCES AND RELATED PUBLICATIONS. References and related publications are in the Appendix.

4. DEFINITION. An audit program sets forth the detailed procedures and techniques auditors will use in developing sufficient, competent and relevant evidence to carry out the audit plan and answer the audit objectives within allotted time frames.

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5. BACKGROUND. Government auditing standards require auditors to adequately plan their work and prepare written audit programs. Audit programs help to ensure that all audit areas are adequately reviewed and that the audit staff uses appropriate procedures and techniques. The audit program will help to support auditor/elapsed day requirements, staffing needs and proposed audit milestones.

6. POLICY AND GUIDELINES

(a) General. Auditors shall prepare a written audit program for each audit.

(b) Basis. Auditors should use workload results, USAAA circulars, recent audit reports, DODIG's Directory of Internal Audit Programs (IGDD 7000.1) and other audit preparatory work as a basis for preparing audit programs. Such information should show where:

(1) Internal controls may not be adequate.

(2) Operations may not be economical or efficient, or missions may not be accomplished.

(3) Program goals may not be met.

(4) Applicable laws or regulations may not be complied with.

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(c) Content. The content of the program, an extent of detail, will vary. The audit program should not be a "pro forma" document. Nor should auditors use it strictly as a checklist or in a way that precludes auditors from using their initiative, imagination, originality or thoroughness in performing the audit. But generally, it should contain:

(1) Background information on the entity/activity to be audited including its history, current objectives and similar information the auditors need to understand and carry out the audit program.

(2) Objectives of the audit.

(3) Scope of the audit.

(4) Command's actions on the prior audit report.

(5) Definitions of any unique terms.

(6) Audit Methodology including suggested steps, tests, procedures, sampling plans and coordination among audit sites, if applicable. The audit steps should be detailed enough to identify the extent of adverse conditions, causes (including underlying causes), effects and potential monetary benefits that could result from implementing corrective actions.

(7) Any special instructions concerning the audit -- such as in the case of multilocation audits.

It should also contain time allotted (both auditor and elapsed days) and other information auditors consider appropriate. These requirements are essential for conducting audits efficiently and effectively.

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(d) Audit Steps. Auditors should key audit steps to each objective and the functional areas they must review to answer each objective. This allows team members to evaluate audit areas simultaneously and exchange information that may impact on other areas. Each audit step should clearly detail the work auditors will do and the extent of tests they will make. In some cases, it may be appropriate for auditors-in-charge to specify the procedures and audit techniques for performing certain audit steps. Auditors should use statistical sampling, computer-assisted and other advanced audit techniques in their audit steps whenever possible, or make a statement about why such techniques aren't applicable or appropriate. Before applying these advanced techniques, they should coordinate with the Automation and Audit Support Division at Headquarters, or regional computer specialists, as appropriate. In addition, they should include steps to use technical experts, when necessary and feasible.

(e) Significance. The techniques and procedures detailed in the audit program and use in performing the audit should ensure that the scope and quality of auditors' work will provide sufficient evidence to enable them to reach conclusions on the audit objectives in accordance with generally accepted government auditing standards. Because of the significance of audit programs, the Quality Assurance Team reviews them during its visits. USAAAR 36-62, Quality Assurance Program, lists the areas the team reviews.

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(f) Revisions

(1) When Required. Because auditors prepare audit programs on the basis of preparatory work, conditions they disclose and information they obtain in executing the program may indicate that changes are necessary. During the audit, each auditor should continuously evaluate the adequacy, propriety and usefulness of the steps in the audit program, and reassess time requirements as necessary. Although meeting milestones in important, auditors must also fully develop significant areas.

(2) Review and Approval. If auditors believe the program needs additional steps to answer audit objectives or determine the significance of a problem, they should relay this information to the auditor-in-charge. Supervisors should thoroughly consider the changes and authorize revisions to the program accordingly. Similarly, auditors should recommend curtailing or omitting unnecessary or unproductive audit steps. All approved changes should be incorporated into the audit program so that the program will accurately show the status of work to be performed and the required timeframes.

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(g) Time and Administrative Controls

(1) Time Controls. Audit staffs shall maintain estimates of time required and records of time expended for each audit segment or functional area. Comparison of time estimates with actual time expended offers a means of evaluating the reasonableness of the original audit schedule and provides a way to measure timeliness.

(2) Administrative Controls. On each step or group of steps in the auditor program, auditors should record their signatures or initials, the dates they performed the steps and cross-references to the applicable summary and supporting working papers. These actions permit the auditor-in-charge to use the program as a control device as well as a planning tool.

7. RESPONSIBILITIES

(a) Headquarters Operating Directors. Directors are responsible for approving audit programs for Armywide multilocation audits.

(b) Regional Auditors General. Regional Auditors General are responsible for approving audit programs for multilocation audits limited to activities in their regions.

(c) Level 2 Supervisors. Level 2 supervisors are responsible for approving audit programs for single location audits.

(d) Auditors-in-Charge. Auditors-in-Charge are responsible for preparing audit programs, but may delegate responsibility for preparing the programs for specific areas to subordinates.

(e) Lead and Staff Auditors. Lead and staff auditors are responsible for assisting the auditor-in-charge as necessary.

FOR THE ACTING DIRECTOR:

LARRY R. SILER
Associate Director
Policy and Programs

THE PROPONENT OF THIS REGULATION IS THE DIRECTORATE FOR AUDIT POLICY, PLANS AND RESOURCES. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PRP

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APPENDIX

REFERENCES AND RELATED PUBLICATIONS

GAO Publication	Government Auditing Standards
DOD Directive 7600.2	Audit Policies
DOD 7600.7-M	DOD Internal Audit Manual
USAAAR 36-1	The Army Internal Control Program
USAAAR 36-52	Reporting Potential Monetary Benefits Attributable to USAAA Audits
USAAAR 36-62	Quality Assurance Program
USAAAR 36-72	Audit Working Papers
USAAAR 36-91	Audit by Objectives
USAAAR 36-100	Statistical Sampling
USAAAR 36-101	Analytical Techniques

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*** USAAAR 36-78**
(w/chg 1)

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1556

USAAA REGULATION **7 June 1993**

NO. 36-78

Audit

RELATIONSHIPS WITH COMMANDERS AND ORGANIZATIONS EXTERNAL TO USAAA

Purpose

Applicability

References

Definitions

Background

Policy

Responsibilities

Procedures

- Memorandums for the Record
- Internal Audit Coordination
- External Audit Coordination
- USAAA Evaluations of other Organizations
- Other Organization's Evaluations of USAAA
- Receipt and Disposition of Audit Reports from Other Organizations
- Distribution of USAAA Audit Reports

APPENDIX A - References

APPENDIX B - Missions and Function of External Organizations

***This regulation supersedes USAAA Regulation 36-78, 13 May 1988.**

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1. PURPOSE. This regulation establishes policy and procedures for (i) preparing

memorandums for the record, (ii) providing audit assistance within the Agency, (iii) coordinating with other organizations, (iv) evaluating other organizations, (v) being evaluated by other organizations, and (vi) distributing audit reports received and issued.

2. APPLICABILITY. This regulation applies to all Agency personnel.

3 REFERENCES. Related references are contained in Appendix A.

4. DEFINITIONS

a. Other Organizations. For the purpose of this regulation, "other organizations" include the U.S. General Accounting Office (GAO), the office of the DOD Inspector General (DODIG) , the Defense Contract Audit Agency (DCAA), the Air Force Audit Agency (AFAA), the Naval Audit Service (NAS) , the audit office of the Army and Air Force Exchange Service (AAFES), the DA Inspector General Agency (DAIG), office of the Director for Internal Review (part of the office of the Assistant Secretary of the Army for Financial Management), Army internal review offices, and the U.S. Army Criminal Investigation Command (USACIDC). The missions and functions of these organizations are described in Appendix B.

b. Statistical Information. Statistical information on Agency operations includes, but is not limited to (1) audits programmed or accomplished, (ii) auditor-days programmed, expended or projected, (iii) number of findings or recommendations in audit reports, and (iv) potential monetary benefits resulting from Agency audits.

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5. BACKGROUND

a. Agency Contacts and Relationships. One of the Agency's continuing goals is to maintain a good professional relationship with the Army Secretariat, the Army Staff, commanders of major Army commands, and the installation commanders. Additionally, the Agency maintains liaison with other audit, inspection and investigative organizations to foster good working relationships with these agencies.

b. Memorandums for Record. When Agency auditors travel outside their permanent duty stations, memorandums for the record provide a record of important matters discussed or observations made. The preparation of memorandums to record significant events or matters also keeps Agency management informed of events which may affect Agency operations. USAAAR 36-51 sets forth policies and procedures for preparing trip reports.

c. Audit Assistance. Regional auditors general normally perform audits within their defined geographical areas. Similarly, Headquarters directors and their staffs perform audit work and liaison at the Secretariat or DA Staff level. During an audit, when information is needed from other organizations or from a site located outside the defined area of respon-sibility, it is normally obtained by means of an assist audit request.

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6. POLICY

a. Liaison. Agency elements, at all levels, will establish and maintain liaison with commanders and other organizations within their spheres of responsibility.

b. Memorandums for the Record. Headquarters directors, regional auditors general and their associates will prepare memorandums for the record on significant meetings with Army commanders, DA Staff and Secretariat, and other audit, inspection and investigative organ-izations when appropriate. Preparation of trip reports is set forth in USAAAR 36-51.

c. Coordination. To the extent practicable, the Agency will coordinate audit schedules with other organizations and exchange information in order to avoid or minimize duplication of audit effort, and provide or obtain audit assistance .

(1) Audit Assistance to Others. The Agency will furnish audit assistance requested by other organizations provided that the work requested can be accommodated within available resources, and interference with the primary Agency mission will be minimal.

(2) Assistance from Others. USAAA will request assistance from other organizations when (i) information cannot be readily obtained by Agency auditors, (ii) information is not available within the Army, or (iii) considerable resources would be saved by making such requests. A request for audit assistance between Agency elements will be made in accordance with the provisions of USAAA Regulation 36-58.

(3) Conflicts. Conflicts or disagreements arising from relations with other organizations should be resolved locally whenever possible.

d. Working Papers. Audit working papers may be released to or physically reviewed by other organizations having a need to know. Release of information will be coordinated with the Policy and Programs Division. Generally, such requests will be honored except for those exceptions contained in paragraph 8c(5).

e. Statistical Information. Unless required by regulation or directive, all statistical information pertaining to Agency operations and audits is regarded as privileged and is not to be released outside the Agency without prior approval of the Director, Audit Policy, Plans and Resources. This policy is applicable regardless of whether information requested. pertains to Agencywide operations or to a single location, activity, or organizational element.

f. Initiation of Audits. Other organizations cannot begin an audit or investigative work within the Agency without an entrance conference with The Auditor General or his designee.

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7. RESPONSIBILITIES

a. The Auditor General. The Auditor General periodically meets with key personnel of the other organizations, as well as members of the Secretariat and

DA Staff and commanders of the major Army commands. He is responsible for resolving disagreements concerning access to Agency audit material when the issue cannot be resolved at a lower level. Cancellation or deferral of multilocation audits because of conflicts with other organizations, audit schedules are approved by The Auditor General or his Deputy. Also, he is responsible for approving audit assistance to other organizations requiring more than 100 auditor-days.

b. The Agency Counsel. The Agency Counsel is responsible for assisting, coordinating, and resolving actions having legal implications and for determining whether or not audit reports and working papers should be released under the Freedom of Information Act.

c. Headquarters Directors and Associates. Headquarters directors and associates are responsible for maintaining liaison and contacts with officials in DA and their counterparts in other organizations. These contacts include the exchange, where appropriate, of audit techniques, objectives, and audit plans. They are also responsible for approving requests for audit assistance (requiring no more than 100 auditor-days) and for initiating requests for audit assistance from other organizations. They are also responsible for notifying Agency Counsel of requests for audit assistance received from USACIDC.

d. Directorate for Audit Policy, Plans and Resources

(1) The Policy and Programs Division is designated as the focal point for all statistical information and is responsible for accumulating and compiling statistical data necessary for periodic reporting as required; exchanging audit schedules; releasing audit reports to other organizations (other than the initial report distribution); receiving, storing, and distribution of reports received from other organizations. It also is the point of contact for the release of working papers, regulations and circulars, and for the conduct of all external evaluations within the Agency.

(2) The Resource Management Division is responsible for obtaining reimbursement for assist audit. work requested and performed for organizations external to DOD.

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e. Regional Auditors General. Regional auditors general or their representatives are responsible for making periodic contacts with local commanders and with local offices of the other organizations located within their regions. Additionally, regional auditors general are responsible for maintaining liaison with local Army internal review offices to arrange for entrance and exit conferences and briefings, and to staff tentative findings and recommendations and draft audit reports. Regional auditors general are also responsible for approving requests for audit assistance received from other regions or organizations requiring no more than 100 auditor-days.

f. Auditors-in-Charge. Auditors-in-charge are responsible for contacting

representatives of local organizations, such as the USACIDC, during the audit to determine whether they have any information concerning the audit area if, upon request, they could provide assistance during the audit.

g. Auditors. Agency auditors are responsible for ensuring that material or information is not released to other organizations without proper approval, and for ensuring that requests for information received are referred to the appropriate Agency level in accordance with this regulation.

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8. PROCEDURES

a. Memorandums for the Record. Memorandums for the Record will be prepared to document significant meetings or events that should be brought to the attention of top Agency management. Regional auditors general will determine the need for such memorandums as a result of trips or attendance at a conference by regional personnel.

(1) The memorandums will generally include (i) purpose of the visit, conference or meeting, (ii) name(s) of person(s) contacted and the organization**,** (iii) scope of review or participation, as appropriate, (iv) a summary of significant discussions, decisions, guidance or advice given, (v) recommendations concerning additional action required, and (vi) matters that are unresolved because of disagreements or misunder-standings and recommendations as to how they may be resolved.

(2) Copies of the memorandums will be provided to The Auditor General, Headquarters directors having an interest in the subject matter, cognizant regional auditor general as appropriate, and any other Agency element having an interest in the meeting or subject matter.

(3) Memorandums prepared by regional personnel will be distributed at the discretion of the regional auditor general. For memorandums containing significant information of interest to Headquarters, USAAA, copies will be provided to The Auditor General and Deputy or to the cognizant Headquarters directorate**,** as appropriate.

b. Internal Audit Coordination

(1) General. During the performance of an audit, certain information and data may be needed that is obtainable only at a site located in another region's geographic area, at the DA Staff or Secretariat level, or at a Headquarters audit site. Such information is normally obtained by means of an assist audit request. In some instances, however, it may be more advantageous-and information obtained more expeditiously-to use personnel from the requesting office.

(2) Coordination. Agency personnel will coordinate with the cognizant Headquarters director or regional auditor general prior to visiting or

initiating work within other regions or DA Staff or Secretariat level that was not originally programmed as an audit site. At the completion of the audit work Agency personnel will brief the appropriate Headquarters director or regional auditor general on the results of the audit effort.

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c. External Audit Coordination

(1) Exchange of Audit Schedules. The Policy and Programs Division provides copies of the Agency's planned audits and the USAAA Schedule of Audits to the GAO, DODIG, DAIG, USACIDC and other organizations to minimize instances of potential duplication of audit efforts.

(2) Conflicts. Periodically, listings or announcements of planned audits of other organizations are provided to the Headquarters directorates for screening for potential duplication or overlapping of audits or inspections.

- Single-location audits may be curtailed or deferred because of a conflict with another organization's plans; the action will be coordinated between the applicable directorate and regional auditor general, and The Auditor General or Deputy will be informed of the action.
- Multilocation audits will not be canceled or deferred because of scheduling conflicts or duplication of effort without the approval of The Auditor General or the Deputy.

When conflicting schedules cannot be avoided and duplication or overlap is anticipated, the audited activities should be informed and provided with the reasons why the duplication cannot be avoided.

(3) Providing Audit Assistance. USAAA will perform audit assist work for audit organizations external to DA. Requests for audit assistance will generally be approved providing the work can be performed within available resources, and interference with the primary Agency mission will be minimal. Requests will normally be in writing and should clearly state the purpose and scope of assistance desired. Examples would be the detailing of Agency personnel to Congressional or DOD task forces or working groups, loan of personnel during the course of an investigation, or the providing of audit expertise in an area for which the Agency has responsibility.

(a) Approval Authority. Requests for audit assistance requiring fewer than 100 auditor-days can be approved by Headquarters directors or regional auditors general. Audit assistance requiring more than 100 auditor-days must be forwarded for approval by The Auditor General or Deputy Auditor General.

(b) Processing Requests

- Requests for audit assistance received from internal review activities will be processed in accordance with USAAA Regulation 36-50, Commanders Audit Program.
- Requests from USACIDC activities should be given priority over other requests and should be coordinated promptly with the responsible operating director, who will advise the Counsel of the request.
- Requests from organizations external to DOD should be forwarded to the Director, Audit Policy, Plans and Resources for coordination, approval, and if applicable, reimbursement in accordance with the procedures set forth in USAAA Regulation 37-1, Reimbursements for Audits Performed on Behalf of Government Agencies Other Than the Department of Defense. If the assistance is to be on a reimbursable basis, the requester must be advised of the estimated cost before the work is initiated.

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(4) Requests for Assistance from Other Organizations. Whenever possible, the need for audit assistance should be identified as early as possible, so that coordination can be accomplished and the work programmed. The requests should be in writing and clearly specify the objectives, scope, and purpose of the requested audit work, and the format for reporting the information desired. Requests should be. coordinated with the appropriate Headquarters directorate before forwarding to the organization being requested to perform the work. If the assist request is refused or excessive delays are experienced in getting a response, the Headquarters director should contact the organization and attempt to get a satisfactory reply to the request. Requests for information from a DOD activity such as Defense Finance and Accounting Service or Defense Logistics Agency will be coordinated with the DODIG (Assistant Inspector General for Audit).

(5) Access to USAAA Working Papers. USAAA working papers will be shown to and discussed with representatives from the internal review office, operating offices of the audited activity, or both in order to resolve questions about the findings or potential monetary benefits. Additionally, audit working papers may be released to or physically reviewed by other organizations having a need to know in connection with a review in a particular audit area.

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(a) Processing Requests for Working Papers. Requests for access to USAAA working papers, other than from the

audited activity, should be forwarded to the appropriate Headquarters director or regional auditor general for approval. The request should state the specific working papers to be reviewed, and the purpose of the review. The GAO Act of 1980 gave the GAO special subpoena powers; therefore, all requests should be honored to the extent feasible. Additionally, requests for Agency documents citing the Freedom of Information Act as authority should be referred to the Office of Counsel and processed in accordance with this regulation and USAAA Regulation 27-1.

(b) Release Procedures. Prior to release of audit working papers, Headquarters directors and regional auditors general will ensure that all of the prohibited items listed below are removed:

- **Conclusions**. Auditors' conclusions will not be released to organizations outside DA until the official Army position has been determined and the command-reply process has been closed. Army organizations should be discouraged from reviewing the auditors, conclusions since the conclusions initially reached may not be valid with the official Army position is established and could be misleading if read out of context or without knowing the final Army position.
- **Budgets**. Budgetary information that the President has not sent to Congress will not be released outside DOD.
- **Inspector General Reports**. DA Inspector General reports or any information from such reports may not be released. Requesters should be referred to the Office of the Inspector General (SAIG-PA).
- **External Sources**. Any information that has been obtained from a source outside the audited activity should not be released, and the request referred to the originators.
- **Classified Information**. Request for classified documents or data should be referred to the originator of the document or data.
- **Criminal Activity**. Information Concerning alleged criminal activity will not be released outside the Army as long as the matter is still open or unresolved. Data on alleged criminal activities will be furnished to USACIDC after coordination with the Agency Counsel.
- **Audited Activity's Documents**. Copies of the audited activity's own documents such as reports, statistical

information and standing operating procedures may be furnished to other organizations providing the requester first informs the audited activity of the purpose of their request and receives approval from the activity.

The Policy and Programs Division will be notified when working papers have been released to an organization external to DOD, and for what purpose.

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(6) Release of USAAA Statistical Information

(a) Processing Requests. Requests for statistical information on the Agency's resources, programs, or operations should be sent to the Director, Audit Policy, Plans and Resources. The requesting organization should be advised to state on their request why the information is needed, and for what purpose the information will be used. If the need for the information appears justified, the data will be compiled and forwarded to the requesting organization. The Policy and Programs Division will be informed of any unusual, non-routine requests for statistical information received from outside the Agency.

(b) Information Furnished Voluntarily to Others. On occasion the Agency receives information copies of reports from other organizations which address certain aspects of Army operations, and on which the Army is asked to comment. If the Agency has any information that would be beneficial to the Army action officer tasked to prepare the Army comments, the information should be compiled in coordination with the Associate Director, Policy and Programs Division, and provided to the action officer. Sometimes the Agency's comments or assistance in preparing the reply is specifically requested.

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(7) Requests for USAAA Regulations, Circulars and Other Publications. Requests from other organizations for Agency publications are usually honored. However, if the requested publication contains guidance applicable to Agency in-house operations only, it will normally not be released. In addition, guides for an ongoing audit will not be released until the audit is completed and the overall audit report issued. The Policy and Programs Division is normally the focal point for release of Agency publications; however, Agency publications may also be released locally.

d. USAAA Evaluations of Other Organizations

(1) Mandatory Reviews. AR 11-7 requires USAAA to periodically evaluate the Army's internal review function. Coordination will be made with the Assistant Secretary of the Army (Financial Management) to arrange for an entrance conference on evaluations of the Army's internal review function.

(2) Other Peer Reviews. USAAA evaluations of other organizations will be coordinated with the responsible Headquarters directorate and the Director, Audit Policy, Plans and Resources before any work is started at the organization.

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e. Other Organizations' Evaluation of USAAA

(1) General. The Director, Audit Policy, Plans and Resources is the focal point for any evaluation**,** audit, or review of Agency operations by an external organization. Work will not begin within the Agency without an entrance conference with The Auditor General or his designee. The Headquarters directorate having an interest in the subject of the proposed evaluation should also attend. Representatives of the evaluating organization should provide at the entrance conference the objectives and scope of the review, and the sites they intend to visit. Headquarters will notify the sites of the impending visits and the purpose of the evaluation or review.

(2) Unannounced Visits. If representatives of other organizations arrive at a USAAA site unannounced to gather information on USAAA operations, the Policy and Programs Division should be contacted to determine whether proper clearance had been made; if not, the representatives should be informed of USAAA procedures and referred to the Director, Audit Policy, Plans and Resources to arrange for an entrance conference.

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f. Receipt and Disposition of Audit Reports from Other organizations

(1) Agency Focal Point. The Policy and Programs Division is the focal point for receiving or requesting listings or copies of reports from other organizations. The following summarizes the reports received on a routine basis and those that must be requested:

Agency	Type of Report
GAO	Copies of reports, draft reports, testimony, etc., are received and filed in the Policy and Programs Division.
DODIG	Copies of issued reports are received and filed in the Policy and Programs Division.
AFAA/NAS	Copies received are routinely forwarded to the desk having functional responsibility for the subject of the report.

DAIG	Obtained by local request only.
USACIDC/ Internal Review	Obtained by local request only.
DCAA/AAFES	None received - obtained only by special request.

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(2) Requests for Reports from Other Organizations. When statistical information or a copy of a publication or report (other than reports issued by GAO or DODIG) is needed from another organization, the auditor should first try to obtain it locally. If unsuccessful in obtaining the needed information, the Policy and Programs Division should be contacted for assistance in obtaining the desired information or document.

g. Distribution of USAAA Reports

(1) General. Agency audit reports will not be released to any individual or organization outside the Agency without obtaining approval from the Policy and Programs Division, other than the distribution contained in the printed audit report (the annex titled "Others Receiving Copies of the Report"). This Annex includes routine distribution to the DAIG, DODIG, USACIDC (including the local regional office) and others (see USAAAR 36-54). The local internal review office where the audit was performed also receives a copy of the final report when command is asked to provide the official command reply. Accordingly, requests for additional copies of USAAA reports from local offices DAIG, DODIG, USACIDC or internal review should be referred to the headquarters of those organizations or to the audited command.

(2) Organizations External to DOD. Requests for copies of Agency reports from GAO or any other organization external to DOD must be processed through the Office, Chief of Legislative Liaison, or the Budget Liaison Office, Office of the Assistant Secretary of the Army (Financial Management). The Policy and Program Division is the focal point for processing all such requests. Release of audit reports under the Freedom of Information Act will be made by the Office of Counsel in accordance with the procedures contained in USAAA Regulation 27-1 and pertinent Army regulations.

FOR THE AUDITOR GENERAL:

s/Larry R. Siler
LARRY R. SILER
Associate Director
Policy and Programs Division

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APPENDIX A

REFERENCES

a. AR 11-7, Internal Review and Audit Compliance Program

b. AR 20-1, Inspector General Activities and Procedures

c. AR 36-5, Auditing Service in the Department of the Army

d. USAAAR 27-1, Legal Issues, Policy and Procedures

e. USAAAR 36-50, Commanders' Audit Program

f. USAAAR 36-51, Trip Reports

g. USAAAR 36-54, Procedures for Processing, Distributing and Finalizing Audit Reports

h. USAAAR 37-1, Reimbursement for Audits Performed on Behalf of Government Agencies Other Than the Department of Defense.

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APPENDIX B

MISSIONS AND FUNCTIONS OF EXTERNAL ORGANIZATIONS

1. U.S. General Accounting Office (GAO)

a. GAO is an agency of the legislative branch of Government and was established under authority of the Budget and Accounting Act of 1921. Section 313 of the Act of 1921 provides that "The Comptroller General, or any of his assistants or employees, when duly authorized by him shall have access to, and the right to examine, any books, documents, papers, or records of any such department or establishment." This and the Accounting and Auditing Act of 1950 authorize the Comptroller General to examine or review the accounting, financial and related operations of DA. The GAO Act of 1980 provides the GAO with subpoena power to obtain material necessary for audit. The latter act also clarifies when GAO may be denied access to material. Items generally exempted from mandatory release to the GAO include (i) budgetary information not yet sent to Congress (Agency reports should not include such information), (ii) intelligence/counterintelligence information and data, and (iii) material exempt under the Freedom of Information Act.

b. GAO performs audits on virtually any subject within Federal departments and agencies. At times the Agency is requested to assist the DA action officer in preparing the official DA reply to a GAO audit report.

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2. Office of the DOD Inspector General (DODIG)

a. The DODIG was established in 1982 by an amendment to the Inspector General Act of 1978. Audits conducted by DODIG include (i) those of DOD activities, (ii) DOD-wide audits, (iii) quick response audits on matters of special interest to the Secretary of Defense, and (iv) audits of the Security Assistance Program at all levels of management.

b. The Agency coordinates major audit efforts with the DODIG, and exchanges audit program information with the DODIG. Agency contacts with the Assistant Inspector General for Auditing normally are as a participant in a DOD-wide audit. Results of audit work in the Army are furnished to him and are incorporated into the DOD-wide audit report, as appropriate.

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3. Defense Contract Audit Agency (DCAA)

a. DCAA was established as a separate Agency of DOD in 1965 under the direction, authority and control of the Secretary of Defense. DCAA is responsible for performing all contract audits for DOD and providing accounting and financial advisory services regarding contracts and subcontracts to all DOD components responsible for acquisition and contract administration. DCAA also provides audit assistance to internal audit organizations which are responsible for the reviews and evaluation of acquisition and contract administrative functions within DOD. DCAA services which are provided to contracting officers and administrative contracting officers are advisory in nature. Assistance provided to internal audit organizations is fact-finding in nature.

b. The assistance DCAA is normally requested by USAAA when necessary to obtain data directly from contractors or from working paper files maintained by DCAA relating to contractor operations. For example:

(1) When USAAA audits the administration of government property furnished to contractors, the DCAA may be asked to verify detailed records maintained by the contractor.

(2) When USAAA audits the operations of the contracting offices at government-owned, contractor-operated plants, DCAA may provide cost and financial information from contractor records as necessary to permit evaluation of the management of the facility.

c. Occasionally, DCAA may require assistance from USAAA. For instance, some DCAA audits involve work at an Army installation or remote location and the nature of the work, proximity of a USAAA office, or other factors make it more practical or economical for DCAA to obtain assistance from USAAA.

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4. U.S. Air Force Audit Agency (AFAA) and Naval Audit Service (NAS). The Auditors General of the Air Force and Navy are the counterparts of The Auditor General of the Army. AFAA and NAS provide services similar to those performed by USAAA. When the three Services' audit agencies are participating in a DOD-wide audit, information is shared and contacts are made frequently throughout the audit. Information is also shared at other

times when it may be of mutual benefit.

5. Army and Air Force Exchange Service (AAFES). AAFES is a multibillion dollar retail activity that sells goods and services to members of the Armed Forces. AAFES has its own internal audit activity to monitor and review its worldwide operations. USAAA is the executive agent for auditing the AAFES internal audit activities. AFAA furnishes assistance when periodic evaluations are conducted to determine compliance with the government auditing standards.

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6. The Inspector General (DAIG)

a. Army Regulation 20-1 provides that The Inspector General reports to the Secretary of the Army and is responsive to the Chief of Staff, Army. The Inspector General commands the U.S. Army Inspector General Agency. He inquires into and reports on matters affecting the perform-ance of mission and the state of the economy, efficiency, discipline, and morale. The Inspector General also performs such additional duties as may be prescribed by the Secretary of the Army, Chief of Staff, or as required by law.

b. Inspectors general at the major command and installation levels are confidential representatives and members of the personal staffs of Army commanders. They inquire into and report upon matters affecting the performance of mission and the state of economy, efficiency, discipline, and morale within the commands**,** and other duties as required by law and regulations, or as directed by their commanders. Agency auditors and inspector general personnel at times exchange information of mutual interest.

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7. Internal Review

a. AR 11-7 prescribes the role, responsibilities, and scope of the internal review functions within DA. The Assistant Secretary of the Army (Financial Management - ASA(FM) prescribes the general policies concerning that function and monitors internal review activities**.**

b. Internal review encompasses audit of both appropriated and nonappropriated fund activities. Internal review programs are oriented toward known or suspected problem areas, and commanders use internal review resources in a troubleshooting role. Commanders also rely on their internal review capacity for audit compliance services; following up on audit recommendations directed to their command for implementation; maintaining liaison with external audit and inspection agencies; staffing findings and audit reports; and, in general, exchanging information, programs, and schedules with other agencies to avoid duplication of effort.

c. The Auditor General of the Army, is responsible for providing audit standards and, in conjunction with the ASA(FM), providing technical training for internal review personnel. The Auditor General is also the proponent for the auditor portion (511 series) of the Comptroller Civilian Career Program.

d. USAAA contacts with internal review activities include day-to-day liaison during an audit, audit compliance (including the staff ing of findings and reports) , audit followup, coordination of audit and review programs, providing audit guides and assistance, auditor training, and periodic evaluation of the internal review function .

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8. U.S. Amy Criminal Investigation Command (USACIDC)

a. The USACIDC has the sole responsibility for conducting criminal investigations involving felony-type offenses within the Army. The success of these investigations may often depend on the types and amounts of information received and the promptness with Which it is transmitted to their agents. An efficient and effective investigation of some criminal activities may require the assistance and the coordination of trained audit personnel to examine or interpret records.

b. The USACIDC also has the responsibility for participating in the Army crime prevention program by identifying areas which are vulnerable to crime and by making recommendations to the appropriate authorities for elimination of conditions conducive to criminal activity.

c. A memorandum of understanding between the USACIIDC and the USAAA prescribes procedures for providing mutual support in detecting and investigating criminality. USAAA has also conducted joint schools on fraud detection techniques for USACIDC agents and USAAA auditors.

d. On occasion, field elements of USACIDC may furnish information to USAAA audit offices in the form of audit leads, and may request assistance to determine the scope and extent of a particular problem. When Agency auditors suspect criminal activity may have occurred, they refer these matters to the USACIDC for investigation. These mutual requests are normally accommodated on a priority basis. Whenever an audit is performed at USACIDC's request, they will be furnished results concurrently with it being furnished command.

e. USAAA Regulation 27-1 establishes procedures for notifying command of serious incidents which may embarrass or be of concern to DA. In those instances where the issuance of a serious incident report is recommended, the local USACIDC representatives and USACIDC Headquarters are also provided copies of the details concurrent with their release to commanders of the audited activities.

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DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION 36-85 **31 October 1996**

Audit

INDEPENDENT REPORT REFERENCING

Purpose
Applicability
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Background
Policy
Responsibilities
Selection of Referencer
Scope of Review
Documentation
Paperless Referencing
Appendix A - Certification Document
Appendix B - Referencer Review Sheet
Appendix C - Draft Report Example

1. PURPOSE. The purpose of this regulation is to establish policy and furnish guidance for independent referencing of draft and final audit reports within the U.S. Army Audit Agency.

2. APPLICABILITY. Policies and procedures in this regulation apply to all audits conducted by the Agency. These policies and procedures are mandatory for formal, special, consulting, memorandum, information memorandum, and trend reports. The policies and procedures do not apply to CFO cycle memorandums; however, the applicable program director is responsible for ensuring the accuracy of these products.

3. REFERENCES

a. Government Auditing Standards, 1994 Revision.

b. DOD 7600.7-M, DOD Internal Audit Manual.

c. USAAAR 36-62, Quality Assurance Program.

d. USAAAR 36-72, Audit Working Papers.

4. DEFINITIONS

a. Certification Document. A Certification Document (USAAA Form 371 -- see Appendix A) is a document signed by the independent referencer and the level 2 supervisor assigned to

the audit under review. The document states that the independent referencer completed the referencing, and the independent referencer and level 2 supervisor resolved all disagreements. The level 2 supervisor sends a copy of the signed document to the applicable editor who verifies before releasing the draft audit report that the independent referencing has been done.

b. Cross-Referencing Reports. Cross-referencing a report consists of annotating in the margin of the draft audit report (and final report, if necessary) the working paper page number which supports the data in the report, and conversely, annotating in the margin of supporting working papers, the report paragraphs that relate to the working papers. Cross-referencing a report is necessary to ensure auditors support all pertinent facts and conclusions in the working papers. To the extent practical, cross-referenced draft reports should contain direct references to the actual supporting documents in lieu of references to summary working papers. This practice helps to minimize the independent referencing time by not having to further trace the references from the summary working papers to the actual supporting documents.

c. Independent Referencer. The independent referencer is a senior auditor (GS-12 or above) not associated with the audit under review who verifies the accuracy of the data in the draft audit report (and final report, if necessary) by tracing the data to supporting documentation in the working paper files.

d. Supervisory Reviews. Supervisory reviews are continuing reviews by supervisory level personnel to make sure auditors plan, control, direct, conduct, and complete audits in accordance with government auditing standards. Supervisory reviews of working papers throughout the audit are essential to ensure they are logically organized, properly prepared, adequately supported, and completely cross-referenced.

e. Working Papers. Working papers include documents, papers and records, manual or automated, prepared or collected by the auditors during the audit. Working papers provide a systematic record of the audit work and contain the information and evidence necessary to support the findings, judgments, conclusions, and recommendations presented in the audit report.

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5. BACKGROUND. Army management, Congress, and the general public rely on Agency auditors to publish quality reports that provide objective, reliable, timely, and professional audit results. To maintain this trust and confidence, and to ensure the quality of audit products, the Agency established two key quality control measures. First, the Agency established a quality assurance program (USAAAR 36-62, Quality Assurance Program). This evaluation program ensures Agency operations adhere to government auditing standards and Army policies and procedures; conform to internal regulations; and are carried out economically, efficiently, and effectively. Then, the Agency instituted independent referencing as a quality control measure. Independent referencing ensures audit reports objectively and accurately communicate the results of the audit.

6. POLICY. The DOD Internal Audit Manual (DOD 7600.7-M) requires all DOD audit organizations to use an independent referencer to review draft audit reports issued by them. The independent referencer,

hereafter referred to as the referencer, will review a cross-referenced copy of the draft audit report and ensure the information contained in the report is correct and supported in the working papers. The review results will be documented in the working paper files and contain support on how issues raised during the review were resolved. In addition, significant changes from the draft to the final audit report must also be independently referenced. Significant changes include any changes to the facts, figures or other data that altered the meaning of the draft audit report. It is the responsibility of the level 2 supervisor to determine whether or not the final report requires referencing. In making this decision, the level 2 supervisor should weigh the effect of the changes on the meaning of the report.

7. RESPONSIBILITIES

a. Deputy Auditors General for Audit. Deputy auditors general for audit are ultimately responsible for ensuring the accuracy of draft and final audit reports issued within their assigned functional areas of responsibility. Deputies will make sure draft reports and those final reports that have been changed significantly from the draft are independently referenced. Deputies will also resolve and have the final say on disagreements between the referencer and the level 2 supervisor when the program director is also the level 2 supervisor.

b. **Program Directors**. Program directors are responsible for:

(1) Performing the steps in paragraph 7.c. if they are the level 2 supervisor.

(2) Resolving and having the final say on disagreements between the referencer and the level 2 supervisor assigned to the audit under review.

c. Level 2 Supervisors. Level 2 supervisors are responsible for:

(1) Making arrangements for and overseeing the selection of a qualified referencer. As needed, the level 2 supervisor may request assistance from the program coordinator in locating an auditor to do the referencing, or coordinate with another level 2 supervisor to borrow an auditor.

(2) Ensuring that a copy of the draft audit report and final audit report, if necessary, are cross-referenced to the working papers, and ensuring that the working papers are properly assembled, indexed, and reviewed before the report is given to the referencer.

(3) Ensuring that hard copies of key computer-assisted schedules supporting the facts and figures in the draft report have been printed, reviewed and approved, and appropriately cross-referenced. If these listings are too massive, key data and the conclusions drawn from it will be logically and clearly summarized and documented in working paper files.

(4) Ensuring that all deficiencies identified by the referencer and listed on the referencer's review sheets are corrected or resolved.

(5) Informing the next higher level of management of any disagreement with the referencer on the disposition of cited deficiencies, and requesting resolution of

these deficiencies.

(6) Signing the Certification Document (USAAA Form 371) once the independent referencing is done and all disagreements are resolved. Level 2 supervisors will not delegate their signature responsibility.

(7) Sending a copy of the signed Certification Document to the applicable editor prior to issuance of the draft report to command.

(8) Determining if changes made to the final audit report warrant referencing and, if so, making sure an independent referencer verifies the changes.

d. Independent Referencers. Independent referencers are responsible for:

(1) Verifying that the facts and figures presented in the draft audit report (and final report, if changes warrant it) are consistent with and supported by the audit working papers.

(2) Documenting the results of the review performed.

(3) Bringing deficiencies noted to the attention of the applicable level 2 supervisor for corrective action.

(4) Confirming that the level 2 supervisor brought unresolved disagreements to the attention of the next responsible level of management for resolution.

(5) Informing the next responsible level of management if the Certification Document has not been signed within 30 days after performing the referencing review.

(6) Signing the Certification Document once the independent referencing is done and all disagreements are resolved. The independent referencer will not delegate this signature responsibility.

e. Auditors-in-Charge. Auditors-in-charge are responsible for assisting the level 2 supervisor, as needed, in researching and answering questions raised by the independent referencer regarding their audit.

f. Program Coordinators. Upon request, program coordinators are responsible for assisting the level 2 supervisor in locating a qualified auditor to do independent referencing.

g. Editors. Editors are responsible for examining the Certification Document and ensuring that the independent referencer signed it before releasing the draft report.

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8. SELECTION OF REFERENCER

a. The applicable level 2 supervisor will maintain general oversight responsibility for the selection of an independent referencer for their audits. The level 2 supervisor with the assistance of a program coordinator, if necessary, will make the arrangements for a qualified referencer. Sometimes, it will be necessary to borrow an auditor from an ongoing audit. Referencers should be selected based on their independence, objectivity, experience, analytical ability, and knowledge of the rules of evidence and the Agency's reporting policies and standards. The referencer must be a GS-12 or above. To maintain independence, the referencer should not be directly associated with the audit under review.

b. In some limited instances, the level 2 supervisor may request a waiver to the criteria that the referencer be a GS-12 or above, or that the referencer not be directly associated with the audit under review. However, the applicable program director must agree to a waiver of the criteria. Level 2 supervisors should clearly justify a waiver request and document it in the working papers. Program directors should not routinely grant waivers. Regardless, the referencer selected will not be below the GS-11 level.

c. Sometimes, all qualified auditors who meet the referencer criteria at a field office are on the same audit, and funding constraints prevent assigning a referencer on temporary duty. In these instances, the level 2 supervisor may seek a waiver in order to use auditors on the same audit to reference areas they did not work on.

d. Referencers will report time expended for independent report referencing using specific time codes established by the Office of Planning and Resource Management. The FY 97 code is S7937D -- Independent Report Referencing. The code for future fiscal years will be in updates to USAAA Circular 1-14.

9. SCOPE OF REVIEW

a. Referencing should be done prior to issuing the draft report to command. Also, referencing should be done prior to issuing the final report if the final report contains changes that differ significantly from the draft report. By doing so, the Agency ensures the information in the draft and final reports are correct and supported in the working papers.

b. Prior to beginning the actual referencing, the referencer should make a preliminary review to ensure the auditors cross-referenced the draft report and supervisors reviewed the working papers. If the draft report is not cross-referenced or the working papers do not show evidence of supervisory reviews, the referencer will return the report and working papers to the level 2 supervisor. The level 2 supervisor should inform the applicable program director if there will be a significant delay in getting the draft report or working papers ready for referencing.

c. The referencer must check all facts and figures in the draft audit report against the supporting working papers and not just to working paper summaries. They must verify the auditors adequately documented and supported the following:

- All statements of fact cited in each section of the report. This includes sections that summarize audit results, present general and background information, and provide detailed audit results and conclusions.

- Quotations, computations, tabulations, and all other quantitative data.
- Monetary benefits
- Command comments.

During the review, the referencer should carefully look for, and identify on their review sheet, any statements of fact or any figures presented in the audit report that the auditors have not cross-referenced to working papers. Auditors' opinions need not be referenced, but they should be based on the facts presented. Not only does the referencer trace facts and figures from the audit report to supporting working papers, but also they should ensure that the auditors have presented sufficient credible data to support the conclusions and recommendations flowing from such data.

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10. DOCUMENTATION

a. The working paper files must contain evidence showing that an independent referencer completed the referencing, and the independent referencer and the level 2 supervisor resolved all discrepancies and disagreements. For consistency purposes, the front of the draft report working paper file will contain all documentation supporting independent referencing of the draft audit report. And, the front of the audit report working paper file will contain documentation supporting independent referencing of the final audit report, if necessary.

b. The referencer will initial each fact and figure verified in the report to help ensure they overlook nothing. In addition, the referencer will initial each fact and figure directly on the supporting working paper evidencing they found the support. The referencer will sequentially number and record on the referencer review sheets (USAAA Form 366) all questions or comments that arise from the review. The referencer will cross-reference the review sheet questions or comments to the appropriate page of the audit report so the level 2 supervisor can readily determine what the referencer is questioning. (An example of each is at Appendices B and C.) Once completed, the referencer will provide these review sheets to the responsible level 2 supervisor for action.

c. The level 2 supervisor will review all questions on the review sheets and ensure they are satisfactorily researched and answered. The auditor-in-charge may be called upon to help research and answer the questions. The level 2 supervisor will make corrections to the audit report or provide the necessary support in the working papers to respond to the referencer's questions. The level 2 supervisor and the auditor-in-charge will annotate on the referencer's review sheets the actions they have taken.

d. The referencer will review all actions taken by the level 2 supervisor and the auditor-in-charge to ensure they satisfactorily answered all questions raised. The referencer will mark each question answered satisfactorily with an "OK," their initials, and the date. Those questions answered without such markings are points in contention that must be resolved or brought to the attention of the next higher level of management. These referencer review sheets will become part of the working paper files. Once completed, the referencer and level 2 supervisor will sign the Certification Document (USAAA Form 371) and the level 2

supervisor will send a copy to the applicable editor. (An example is at Appendix A.) The level 2 supervisor or auditor-in-charge will place a copy of the Certification Document in the working paper files.

e. Final report forwarding memorandums will indicate that the independent report referencing has been completed. The memorandum should state that corrective action has been taken for all questions raised by the referencer and where disagreements existed, they have been resolved.

11. PAPERLESS REFERENCING. In the future, auditors will do more audits in a paperless environment. On these paperless audits, auditors use their computers to document audit results and prepare supporting working papers. Basically, there are no "hard copy" working papers. Both cross-referencing and independent report referencing are done electronically. Reviewers' comments (and auditors' responses) are electronically embedded directly into the draft report or related working papers. Paperless referencing uses hypertexting to take the reader directly from the master index, draft report, or audit program to a specific supporting working paper. Some supporting working papers are electronically scanned copies of documents -- such as excerpts from regulations and contracts. While there are some differences in the mechanics of documenting the independent referencer's initials and comments, the basic independent referencing policies and procedures in this regulation apply in a paperless environment.

FOR THE DEPUTY AUDITOR GENERAL:

/s/ Larry R. Siler
LARRY R. SILER
Program Director
Organizational Effectiveness

THE PROPONENT OF THIS REGULATION IS THE OFFICE OF THE DEPUTY AUDITOR GENERAL, POLICY AND OPERATIONS MANAGEMENT. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PMO.

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APPENDIX A

CERTIFICATION DOCUMENT

REPORT TITLE: _____

ASSIGNMENT NUMBER: _____

DRAFT OR FINAL (circle one)

LEVEL 2 SUPERVISOR CERTIFICATION:

I reviewed the report for compliance with Generally Accepted Government Auditing Standards. This review was completed on: _____. I certify all questions and comments raised by the

referencer have been reviewed and resolved.

_____

Signature/Date

_____

Printed (Typed) Name

REFERENCER CERTIFICATION:

I reviewed the report for support and accuracy of the information presented. I checked all cross-references to the supporting working papers. This review was conducted between the following dates: _____. I certify that all questions and comments made have been resolved to my satisfaction.

_____

Signature/Date

_____

Printed (Typed) Name

USAAA Form 371
October 1996

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APPENDIX B

REFERENCER REVIEW SHEET

Review Sheet **U.S. Army Audit Agency**		
Reviewer's Name: Joe Yule (jy)	**Audit of:** Camp Swampy - S6936D (Draft Audit Report)	**Date of Review** 03/01/97
Position: Independent Referencer		**Page** 1 of 1 **Pages**
W/P Ref	**Reviewer's Comments**	**Auditor's Actions**
	Level 2 Supervisor: Frances Gumm (fg)	
	Auditor-in-Charge: Mary Reynolds (mr)	

#1 (p 22)	Workpaper supports 7 (not 5) standards reviewed.	Corrected (fg)
		OK (jy) 3/1/96
#2 (p 24)	Need a W/P reference for $10,000.	Added (mr)
		OK (jy) 3/1/96
#3 (p 24)	Workpaper doesn't support 4 printers, only 3.	Corrected (fg)
		OK (jy) 3/1/96
#4 (p 25/26)	Workpaper not found.	Put W/P G-1 in
		File XII (mr)
		OK (jy) 3/1/96

REVIEWER'S STATEMENT ON POST REVIEW ACTIONS TAKEN BY AUDITORS:
All actions required by auditor by above comments have been completed.

Reviewer:	**Position:**	**Date:**
/s/ Joe Yule	Independent Referencer	03/01/96

USAAA Form 366
Jan 92

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APPENDIX C

DRAFT REPORT EXAMPLE

(Draft Report p. 21)

FINDING B: MANAGEMENT CONTROL PROCESS

For the Commander, Camp Swampy

SUMMARY

\Camp Swampy hadn't fully implemented the Army's management control process. It hadn't:

- Fully incorporated management control responsibilities in the performance standards of assessable unit managers.
- Developed a management control plan.
- Properly tested management controls.
- Properly identified, reported, and tracked material weaknesses./

File XII W/P: H-1 1-2 jy*

File XII W/P: H-1 2-4 jy

\Camp Swampy personnel hadn't implemented the management control process because it wasn't high priority. As a result, Camp Swampy had no assurance that management controls were in place and working effectively./ Our recommendations to correct these conditions begin on page 26.

BACKGROUND

File XII W/P: N-1 3-4 jy

\AR 11-2 contains policies, procedures, and guidance for establishing and using the Army's management control process./

*** (jy -- Independent Referencer's initials)**

(Draft Report p. 22)

File XII W/P N-1 3-4 jy

\Assessable unit managers are responsible for implementing and maintaining a management control system. Commanders must make sure that management control duties are incorporated in its assessable unit managers' job performance standards. Also, the management control process requires assessable unit managers to annually test the adequacy of their management controls. Commanders must include material weaknesses found during these tests in their annual assurance statements and give milestone dates for corrective actions./

DISCUSSION

This section discusses these four areas:

- Performance standards.
- Management control plan.
- Management control tests.
- Monitoring system.

Performance Standards

File XII W/P I-1 1-2) #1
(To review sheet)

\Camp Swampy hadn't included management control responsibilities in assessable unit managers' performance standards. We reviewed the performance standards for five **(seven) (jy)** of the eight **(jy)** designated assessable unit managers and found that responsibilities weren't included in any of their performance standards. Specifically, the performance standards didn't include responsibilities for:/

 # (Review sheet comment number)

(Draft Report p. 23)

- \- Safeguarding Army resources.
- Testing management controls.
- Promptly identifying, reporting, and correcting material weaknesses.

File XII W/P I-1 1-2 jy

This accountability would help make sure that assessable unit managers perform the required tests and ensure that controls are in place and working effectively./

We discuss the actions needed to include management control responsibilities in assessable unit managers' performance standards in Recommendation B-1.

Management Control Plan

\Camp Swampy hadn't developed a management control plan. AR 11-2 requires the management control administrator to develop and maintain a management control plan for conducting required management control evaluations with the assessable units over a 5-year period. The plan must be current and used to monitor progress to ensure that all management control evaluations are conducted as scheduled. The management control administrator told us that he was enrolled in a 9-month course which prevented him from developing and maintaining the management control plan in a timely manner. Camp Swampy needs to appoint an alternate administrator to manager the program in the absence of the primary management control administrator./

File XII W/P N-1 1-4 jy

(Draft Report p. 24)

We discuss the actions needed to develop the management control plan and appoint an alternate management control administrator in Recommendations B-2 and B-3.

Management Control Tests

\Generally, assessable unit managers hadn't performed tests of management controls during FY 95. Finance and accounting personnel usually performed monthly management control tests; however, other activities didn't. We reviewed 18 **(jy)** checklists that were available and found that, as of June 1995, none **(jy)** were completed during FY 95. They were last completed in September 1993./

File XII W/P J-1 1-5 jy

\One area that could have benefited from testing the adequacy of management controls was the supply warehouse. During FY 94, two material handlers and a supervisor **(jy)** at the warehouse submitted sworn statements to criminal investigators admitting that they had stolen various items from the warehouse./

File XII W/P J-1 2-5 jy

Merchandise valued at more than $10,000 was missing from the warehouse, including: **(Cmt #2)** **(To review sheet)**

File XII W/P J-1 3-5 Cmt #3 (To review sheet)

\- 4 laser printers. **(3 printers - jy)**
- 41 **(jy)** sets of binoculars.
- 1 **(jy)** tool kit./

File XII
W/P J-1
4-5 jy

\Physical security at the warehouse was very lax at the time the thefts occurred:/

(Draft Report p. 25)

\- Doors to the warehouse were left unlocked after duty hours.

- Privately owned vehicles were allowed to park near the loading docks.

- Keys to the warehouse weren't properly controlled.

- Access to the warehouse wasn't restricted during duty hours.

File XII
W/P J-1
4-5 jy

Also, employees who failed urinalysis tests or had prior arrest records were allowed access to high-value merchandise./

File XII
W/P J-1
5-5 jy

\Managers at the supply warehouse hadn't tested management controls. Also, they hadn't reported the control weaknesses that led to the theft of supplies in the warehouse as a material weakness in their annual assurance statement. For the Army's management control process to work, managers must design sound management controls and periodically test them to ensure that control procedures are actually being followed./

We discuss actions needed to ensure that required management control tests are performed in Recommendation B-4.

Monitoring System

File XII
W/P O-1
1-1 Cmt #4

\As of 22 June 1995, Camp Swampy had not established procedures for identifying, reporting, and tracking management control weaknesses. Specifically, Camp Swampy hadn't established procedures for the administrator to receive and review applicable inspection and audit reports./

(Draft Report p. 26)

File XII
W/P O-1
1-1 Cmt #4
(To review sheet)

\In addition to reporting and tracking weaknesses,identification is an important part of the program. Command should establish procedures for all managers to review inspection and audit reports, identify weaknesses, and track the progress of corrective actions. This allows managers to identify and correct problems in their day-to-day operations in an effective and efficient manner./

We discuss the actions needed to identify, report, and track management control weaknesses in Recommendation B-5.

RECOMMENDATIONS AND COMMENTS

This section contains specific recommendations and a summary of the command comments for each recommendation. Verbatim command comments are in Annex A.

B-1 Recommendation: Include management control responsibilities in job performance standards of all assessable unit managers.

File III
W/P E-1
1-1 jy

Command Comments: Command agreed and stated that a directive has been published instructing all assessable unit managers that they are required to include as one of their major performance objectives in part IV of the Officer Evaluation Report Support Form explicit statements regarding responsibility for management controls in performance agreements./

B-2 Recommendation: Appoint an alternate management control administrator to manage the program in the absence of the primary management control administrator.

File III
W/P E-1
1-1 jy

Command Comments: Command agreed and stated that an alternate control administrator has been appointed. This appointment was effective on 10 August 1995./

(Draft Report p. 27)

B-3 Recommendation: Develop a management control plan. Have each assessable unit manager define what will be reviewed and the frequency of the reviews.

File III
W/P E-1
1-1 jy

Command Comments: Command agreed and stated that a management control plan was published and provided guidance for every level of involvement. The plan was effective on publication (22 June 1995). The second action taken in the publishing of the Camp Swampy Five-Year Plan. This plan will be effective on 1 October 1996./

B-4 Recommendation: Require all assessable unit managers to perform tests of the key management controls in their functional areas. Have them provide documentation that contains details and conclusions of these tests to the management control administrator.

File III
W/P E-1
1-1 jy

Command Comments: Command agreed and stated that it will require units and assessable unit managers to provide proof that controls are in place and being exercised regularly. Camp Swampy will adapt the Organizational Inspection Program to meet the intent of the management control program..../

B-5 Recommendation: Establish a centralized monitoring system to identify, record, and track material weaknesses. Require the management control administrator to distribute--to assessable unit managers--material weaknesses identified by any means such as inspections, audits, or staff assistance visits.

File III
W/P E-1
1-1 jy

Command Comments: Command agreed with the recommendation and stated that they have made a concerted effort to comply with the requirement..../

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DEPARTMENT OF THE ARMY
HEADQUARTERS UNITED STATES ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION NO. 36-100 **1 July 1993**

STATISTICAL SAMPLING FOR AUDITS

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APPENDIX F - Determining the Sample Size

APPENDIX G - Selecting the Sample

APPENDIX H - Appraising Sample Results

APPENDIX I - Coordinating the Sample

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1. PURPOSE. This regulation sets forth policy and guidance for using statistical sampling during USAAA audits. The regulation also assigns responsibility for implementing that policy.

2. APPLICABILITY. The provisions of this Regulation are applicable to all audits performed by the U. S. Army Audit Agency

3. REFERENCES

- Statement on Auditing Standards (SAS) No. 39 and 47.
- DoD Internal Audit Manual Chapter 11, Part 2.
- USAAAR 36-91, Audit by Objectives, 17 October l990.
- U.S. Army Audit Agency Statistical Sampling Software.
- Home Study Course, "Sampling for Modern Auditors" by Institute of Internal Auditors.
- "Government Auditing Standards" (Yellow Book) by U.S. General Accounting Office.
- "Financial Audit Manual", Volume 1 by U.S. General Accounting Office.

4. DEFINITIONS. Appendix A lists definitions of some terms used in statistical sampling.

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5. BACKGROUND. Statistical sampling is an audit technique that is appropriate to use on many USAAA audits. Specifically, audits having a need to examine voluminous masses of data mandate the use of sampling. Statistical sampling offers a defensible basis for drawing conclusions about a universe after examining only selected transactions from the universe. There is no way of projecting or otherwise generalizing results obtained from partial examination of a universe other than by statistical sampling techniques. Simply stated, if there's a requirement to interpret the results of tests based on less than 100 percent of all records, statistical sampling is the **only** method available.

6. POLICY

a. Using Statistical Sampling. As discussed in the Government Auditing Standards (yellow book), auditors should use statistical sampling and other aspects of quantitative analysis, when appropriate, to accomplish audit objectives. When auditors must express an opinion about the entire field (universe) from which they made only selective transactions, they must use statistical sampling techniques. To use the term "statistical sampling" you have to employ all of the following:

- Sample items are selected by a statistically random method.
- Sample size is determined by statistical means.
- Sample results are statistically appraised.

b. Audit Reports. Do not include details of sampling procedures and scope in audit reports. Working papers should contain this information, not audit reports. When auditors develop findings using statistical sampling they should discuss the statistical sampling methods used. In expressing the results of audits, auditors will show the field size from which they drew the sample, but **not** the size of the sample. Auditors should also use point estimates (sample projections) without commenting on confidence limits or levels. If needed, report confidence limits and levels in an appendix to the report.

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c. Audit Working Papers. Audit working papers will fully document and clearly indicate

- the type of sample selection method used.
- the procedures used to select random numbers.
- the random numbers selected and/or used.
- the size and characteristics of the field.
- the confidence levels and limits.
- the sample size and results.
- any other information and data the auditor believes is appropriate.

d. Statistical Sampling Parameters. When selecting sampling parameters, auditors must keep in mind the need to reduce the sample size to conserve audit resources, while retaining a defensible audit position. **Appendix F** provides guidance on sample size determination. Sampling parameters which affect the sample size include the confidence level and sampling precision.

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- **Confidence level**. Confidence levels for determining sample size depends on the type of audit. For performance audits, auditors should normally use a confidence level of 90 percent. For financial audits of federal entities (Audits of Financial Statements), auditors should normally use a confidence level of at least 95 percent. Financial audits need this higher confidence level to make sure financial statements are not materially misstated.
- **Sampling Precision (Sampling error).** For Agency audits, the sampling precision for determining sample size should not exceed **10 percent.** The Agency's statistical sampling software does not accept a desired sampling precision exceeding 10 percent. For audits of the Chief Financial Officer Act, current guidance require a precision of plus or minus 5 percent or less.

e. Projecting Monetary Benefits. Statistical sampling is one of the preferred methods of estimating monetary benefits. This is especially true when the audit evaluates selected items of a universe and must project the results about that universe. Auditors should limit the projection to the universe from which the sample was drawn. Conditionally implying that items examined in one universe are representative of other universes is statistically indefensible. Auditors, however, can express their opinion that they believe the results may apply to another universe.

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7. RESPONSIBILITIES

a. Automation and Audit Support Division (SAAG-PRA) is responsible for:

- Serving as the Agency's central point of contact for inquiries and matters pertaining to statistical sampling.
- Providing auditors with technical advice and assistance in statistical sampling.
- Maintaining the Agency's Statistical Sampling Program for personal computers, and providing technical guidance and support on using the sampling program.
- Reviewing and evaluating the use of statistical sampling on completed and on-going audits.
- Giving feedback to Regions on the details of particularly outstanding or complex uses of statistical sampling in recent audits.
- Instructing at Agency sponsored schools and seminars on statistical sampling topics.
- Attending Audit workshops when requested by Regions or Desk officers.

b. Resource Management Division (SAAG-PRM) is responsible for: Planning coordinating and accomplishing the administrative actions needed for training in statistical sampling.

c. Associate Regional Auditor Generals/Associate Directors are responsible for coordinating with the Automation and Audit Support Division, prior to releasing audit reports which discuss statistical sampling. This control will help make sure the narrative in the report is consistent with the methods used and results obtained.

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d. Audit Managers are responsible for:

- Making sure audit teams coordinate with the Automation and Audit Support Division (SAAG-PRA) whenever the team anticipates using statistical sampling.
- Making sure auditors use statistical sampling techniques when they test selective transactions or items and express an opinion about the entire field from which they selected the transactions or items.
- Making sure audit working papers fully document and support all matters relating to statistical sampling.
- Completing statistical sampling Forms 113 and 113A (Appendix I).
- Inviting PRA representatives to attend audit workshop when Statistical Sampling Capabilities impact workshop decisions.

8. Statistical Sampling Assistance. Contact the Automation and Audit Support Division (DSN 289-2929 or Commercial 703-756-2929) for specific guidance on any sampling matter of concern.

9. STATISTICAL SAMPLING-TYPES AND PURPOSES

a. Attributes Sampling. When the audit objective is to determine the rate of occurrence of any qualitative characteristic in a field or universe, auditors should use attributes sampling. The two most common methods of attributes sampling, for Agency audits, are estimation sampling of attributes and discovery sampling.

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- **Estimation Sampling of Attributes** estimates the percentage or proportion of the population having the condition tested. **Appendix B** provides detailed guidance for using estimation sampling.
- **Discovery Sampling** has the objective to find at least one critical error or event that has occurred. Discovery sampling--also referred to as detection or exploratory sampling--doesn't estimate the frequency of occurrence of the error. **Appendix B** also gives detailed guidelines for using discovery sampling.

b. Variables Sampling. When the audit objective is to determine the value of a proportion or the value of the entire population, auditors should use variables sampling. The value may be dollars, length of time, weight, age, or any quantitatively measurable unit. Variables sampling requires an estimate or calculation of the standard deviation of the population. A preliminary sample usually provides the estimate of the standard deviation which auditors use to determine the required sample size. Three most common methods of variables sampling are: mean-per-unit, difference, and ratio estimates.

- **Mean-Per-Unit Estimating** helps determine the value of the universe. This method simply calculates the sample mean (average value) of a unit. To determine the value of the universe, you then multiply the number of units in the universe by the mean-per unit estimate. **Appendix C** contains detailed guidance for using the Mean-per-unit estimator sampling plan.
- **Difference Estimating** helps determine the difference between an audited value and the recorded or standard value. Use this technique to estimate the amount that the recorded or standard value is overstated or understated as compared with the actual value. To use this sampling method, you must have both an audited (actual) value and a recorded (standard or book) value for each sampling unit. Difference estimating uses the mean and standard deviation of the individual differences between each sample unit's actual value and the corresponding recorded value. The mean of the individual differences in the sample is multiplied by the number of units in the universe to arrive at an estimate of the difference between the book value and the audited value. **Appendix C** contains detailed guidance for using the difference estimating sampling plan.
- **Ratio Estimating** is similar to the difference estimating method. The ratio method is based on the

ratio of the audited to the book values, rather than the difference between the audited and book values for each sample item. The ratio method is better than the difference estimation method when the errors are related in their size to the values of individual items. That is, large errors occur for large book value items and small errors are associated with small book value items.

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c. Combined Attributes/Variables Sampling. When the audit objective is to determine both the percentage of errors in a population and the value of the population with errors, you must use both attributes and variables sampling. For example:

- First use an attribute sample to determine how many units in the population contain the desired characteristic (e.g., overdue accounts receivables).
- Then use variables sampling to estimate the total value of the late accounts.

Appendix D contains guidance for using combined attributes and variables sampling

d. Multistage Sampling.

(1) Multistage Sampling is sampling on several succeeding levels. Use this sampling method when the sample units are at many locations and resource restrictions don't allow you to visit all locations. To use multistage sampling you must take a random sample of the locations (first stage), and then a random sample of items within the randomly selected sites (second stage).

(2) A two-stage sample (sampling at two levels) is the most appropriate for auditing situations. While plans can be developed for more than two levels, they are generally not appropriate for auditing.

(3) Multistage sampling assumes that while values (variables) and/or frequency of occurrences (attributes) may differ from location to location, the situation found is similar at all locations in the universe. Unique locations should be stratified out from the population and reviewed separately. The overall results will consist of combining the multistage sampling results with the results from the locations you omitted (stratified out).

(4) Multistage sampling is appropriate both for attributes and variables sampling plans. This Sampling plan is the preferred sampling plan to project results or claims monetary benefits for Army-Wide objectives. **Appendix E** has details on using multistage sampling plans.

e. Other Sampling Plans. Other sampling plans which may apply in USAAA audits are stratified sampling, cluster sampling, and acceptance sampling. To answer audit objectives, you may need to use more than one type of sampling plan. You can use a combination of sampling plans without regard to sequence. For example, you can use stratified sampling with multistage sampling or with ratio estimation.

10. STATISTICAL SAMPLING SOFTWARE. The Agency developed and uses a statistical sampling program (software) for personal computers. Copies of the programs are available in the regions and Headquarters. Auditors can use the program to compute sample size, get random numbers or interval sampling selection numbers, and evaluate sampling results. The program is user friendly and gives important information on using statistical sampling. When local computer resources (including host computer facilities) can't perform the needed statistical sampling techniques--such as down loading data files--the Automation and Audit Support Division can help.

11. SAMPLE SELECTION. One of the key ingredients of statistical sampling is the requirement that every item in the universe has an equal chance of being selected. **Appendix G** lists detailed guidance for using either a random

number or interval sampling method to select sample items. The preferred method to select your sample is to use the computer program's random number generator. Use the computer generated method wherever practical.

12. REPORTING. When auditors use statistical sampling to develop findings, the audit report must mention the use of statistical sampling. However, details associated with statistical sampling belong in audit working papers and not in the audit report. **Appendix B** contains examples of reports which discuss the use of attribute samples. **Appendix C** contains examples of reports which discuss the use of variables sampling.

FOR THE AUDITOR GENERAL:

JOSEPH P. MIZZONI
Associate Director
Automation and Audit
Support Division

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APPENDIX A

DEFINITIONS

Acceptance Sampling	A sampling technique used primarily for production line items. It involves testing batches or large groups for defects. Accepting or rejecting the entire lot depends upon the number of defective items found in the sample.
Assurance:	See Confidence Level.
Attribute:	Any characteristic which a unit of the population possesses and is expressed in either percentages or proportions.
Attributes Sampling:	A statistical procedure based on estimating the frequency of occurrence of a particular attribute in a population. It tells the auditor how many or how often.
Coefficient of Variation:	A measure of dispersion that is computed by dividing the standard deviation by the corresponding mean and expressing the results as a percentage. It is useful in comparing the variation in two or more data sets and also indicates whether stratification is needed for sampling efficiency.
Confidence Interval:	Defines the limits of accuracy (range between the upper and lower bounds) on an inference.
Confidence Level (reliability):	The percentage of time that the sample results will represent the population within the stated range of precision.
Confidence Limits:	The upper and lower bounds of a confidence interval. For example if the projected rate of occurrence of an attribute sample is 30% plus or minus 6%, then the lower limit is 24% and the upper limit is 36%. The confidence interval is 12 (that is from 24 to 36).
Discovery Sampling:	A sampling technique designed to locate at least one sampling unit with a designated characteristic. This technique is also referred to as detection sampling or exploratory sampling. It is useful in attempting to locate critical errors.

Difference Estimate: A variables sampling procedure which uses the amount of the difference between sample audited values and recorded values to estimate the universe amount.

Estimation Sampling: Statistical sampling methods in which an estimate is made of some characteristic in the universe on the basis of a sample selected from that universe.

Expected Error Rate: The expected frequency of occurrence (usually based on past experience or historical records) of the characteristic being tested in a population. If unknown and/or the auditor does not wish to specify, use 50 percent which is the maximum expected error rate. Error does not refer to the dictionary definition of the word, but to a deviation from the normal in the test.

Finite Correction Factor: A mathematical factor used to adjust the standard error of the estimate for sampling without replacement.

Frequency Estimation: Determines, by sampling, the rate of occurrence of certain attributes within prescribed limits of precision and confidence level.

Interval Sampling: A sample selection method in which every **nth** item is selected after a random start. This selection method is also referred to as systematic sampling. Interval sampling is useful when the population items are not numbered and to number them solely for the purpose of sample selection is costly.

Judgment Sampling Any sampling process in which items appearing in the sample are selected subjectively rather than by a random process. You can not project judgment samples to the population from which you selected the sample.

Mean (Average Value): The mean of a sample is an estimate of the mean of the population from which the sample was selected. Compute the mean by summing the value of the individual sampling items and dividing the sum by the number of sampling items.

Mean-Per-Unit-Estimate: A sampling estimating technique which calculates the mean value of a sample and then multiplies the sample mean by the total items in the universe. The results are an estimate of the total value of the universe.

Multistage-Sampling: Sampling on successive levels in order to project results universally without having to take a sample at each and every location containing a portion of the total universe. For example, initially sampling activities or locations and subsequently sampling items at the selected activities/locations.

Occurrence Rate: The percentage or proportion of the units in the sample that possess a specified attribute or characteristic.

Point Estimate: A single, specific estimate for a universe characteristic or value. It generally is computed from sample results.

Population (Field, Universe): The items comprising the category of interest to the auditor from which the sample is selected.

Precision: Range within which the sample results are expected to be accurate. Compute the precision by multiplying the standard error of the estimate by a factor corresponding to the desired confidence level.

Probability Sampling:	See Statistical Sampling.
Random Number Table:	Table of digits appearing in no regular order. You can use this table in selecting a sample. Using the table assures each sampling unit an equal chance of being selected.
Random Sample:	A sample where every unit still remaining in the population has an equal chance of selection on each draw.
Sample Error:	The degree of sampling precision and is expressed as a value added to and subtracted from sample results. (See Precision.)
Sampling Unit:	Any of the individual elements--as the auditor defines--that comprise the population.
Seed Number:	An arbitrarily assigned number that activates the random number selection process. Using the **identical** seed number allows one to recreate the random numbers previously selected for the same population size and sample size. It prevents duplications when additional sample units are needed from the same populations.
Standard Deviation:	A measure of dispersion (variability) among the respective values of the items in a population for which a sample estimate is developed. Of all measures of sample variability, standard deviation is the most significant for analytical purposes.
Standard Error of the Estimate:	The standard deviation of the sampling distribution for a particular estimating procedure is called the standard error of the estimate. This value is used in calculating sample precision and is a means of measuring sampling error.
Statistical Efficiency:	A statistical estimator is considered more efficient than another if it requires a smaller sample size to achieve the same precision. For instance, the difference estimator is generally more statistically efficient than the mean-per-unit estimator.
Statistical Sampling:	Audit sampling that uses the laws of probability for selecting and evaluating a sample from a population for the purpose of reaching a conclusion about the population.
Stratified Sampling:	A sampling technique where the population is separated into categories called strata, usually by size or relative importance. Stratification is usually needed when the objective is to estimate an average value or total value, and the range of individual values is very large.
Systematic Sampling	See Interval Sampling:
Variables Sampling:	Statistical sampling that reaches a conclusion on the value (usually monetary amount) of a population. Variables sampling answers the question - how much.

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APPENDIX B

ATTRIBUTES SAMPLING

1. SAMPLING OBJECTIVE. Attribute Sampling plans are appropriate when the objective is to estimate whether

(yes or no) an event (the attribute) has occurred, the total number of times (how many) an event has occurred and the frequency (how often) an event has occurred in a given population. You can use the same sample to test as many attributes as desired.

2. EXAMPLES OF APPLICATIONS. Some examples in which attributes sampling would be applicable follow.

- Estimate the number of travel vouchers not processed within 30 days after receipt. **(Estimation Sampling of Attributes).**
- Estimate the percentage of personnel not working in their primary MOS. (**Estimation Sampling of Attributes**).
- Determine if a serious error exists in processing narcotics at a military pharmacy. (**Discovery Sampling**).

3. ATTRIBUTES SAMPLING INFORMATION. The Agency's Statistical Sampling System provides step-by-step instructions for:

- Determining the sample size.
- Selecting the sample.
- Evaluating the sample results.

The Statistical Sampling System works for both estimating sampling of attributes and discovery sampling. To get additional information on other attributes sampling plans, please contact the Automation and Audit Support Division (SAAG-PRA). You can reach the division at DSN 289-2929 or Commercial (703) 756-2928. The following pages contain detailed steps, a worksheet, and reporting examples.

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ESTIMATION SAMPLING OF ATTRIBUTES

ESTIMATION SAMPLING OF ATTRIBUTES STEPS

Auditor Must:

- ESTABLISH THE AUDIT OBJECTIVE (Estimate of how many or the percentage of population).
- DETERMINE THE POPULATION (size).
- DEFINE THE ATTRIBUTE (Characteristic to be tested).
- SPECIFY CONFIDENCE LEVEL (e.g., 90 percent).
- SPECIFY EXPECTED ERROR RATE (e.g., 10 percent) 1/.
- SPECIFY PRECISION (e.g.,±2 percent) 2/.
- DETERMINE SAMPLE SIZE BASED ON ABOVE CRITERIA 3/.
- SELECT SAMPLE 3/.
- COMPLETE USAAA FORM 113 5/.
- EVALUATE/INTERPRET RESULTS 3/.
- COMPLETE USAAA FORM 113A 5/.
- FORMULATE OPINION 4/.

1/ If unknown, use 50 percent. This is the most conservative choice.
2/ Must be less than or equal to expected error rate. (We recommend 10 percent or less.)
3/ Use the Agency developed Statistical Sampling System.
4/ Auditor formulates opinion based on statistical sampling results in conjunction with other audit evidence.
5/ Forward to SAAG-PRA for coordination.

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WORKSHEET (ESTIMATION SAMPLING OF ATTRIBUTES)

A.	POPULATION SIZE	……..
B.	CONFIDENCE LEVEL	……..
C.	EXPECTED ERROR RATE	……..
D.	PRECISION	……..
E.	SAMPLE SIZE 1/	……..
F.	SEED # FOR RANDOM SELECTION 2/	……..
G.	NO. OF ERRORS IN SAMPLE	……..
H.	ERROR RATE IN SAMPLE 1/	……..%
I.	REVISED PRECISION LIMITS 1/	……..%
J.	PROJECTION OF ERRORS IN POPULATION	……..
		(A Times H)

1/ Computed by Statistical Sampling System (software).

2/ The computer software will arbitrarily assign the number if the auditor chooses not to assign one.

INTERPRETING RESULTS:

BASED ON OUR SAMPLE FROM THE POPULATION OF ,(# A), WE ESTIMATE THAT THERE ARE APPROXIMATELY ,(# J) ERRORS IN THE POPULATION. THIS EQUATES TO AN OCCURRENCE RATE OF percent.(#H)

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REPORTING EXAMPLES

Estimation Sampling of Attributes

1. Using statistical sampling, we reviewed the 57,517 supply requisitions generated during the 6 months ended 30 June l985. Of the total, 3,850 or 6.7 percent were erroneously compiled.

Errors	Number	Percentage of Total Requisitions
Posting	1,150	2.0
Nomenclature	2,360	4.1
Unit Price	340	.6
Total	3,850	6.7

2. Using statistical sampling, we reviewed about 72,000 requisitions that command issued between 1 January and 31 July l985. Results of the review follow:

Percentage of Transactions	Processing Time
55 percent	Within the 6-Day Standard
36 percent	1-5 Days Late
6 percent	6-15 Days Late
3 percent	More than 15 Days Late

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DISCOVERY SAMPLING

DISCOVERY SAMPLING STEPS

- ESTABLISH THE AUDIT OBJECTIVE.
- DETERMINE THE POPULATION SIZE.
- DEFINE THE ERROR.
- SPECIFY EXPECTED OCCURRENCE RATE (e.g., 1 percent).
- DETERMINE SAMPLE SIZE BASED ON ABOVE CRITERIA 1/
- SELECT SAMPLE (RANDOMLY)
- EVALUATE SAMPLE 2/
- FORMULATE OPINION

1/ Use either computer program, discovery sampling tables or call SAAG-PRA (DSN 289-2929).
2/ Examine sample units until you locate at least one error--if one exists in the sample. This completes the discovery process. The auditor, may want to continue examining sample units, even though an error or deviation has been found. By continuing, the auditor can then use estimation sampling of attributes to project an error rate in the population. However, if you find no errors in the initial sample you may either:

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Obtain additional statistical samples from the remaining population and continue the search for an error.

OR

Form an opinion based on the absence of any errors in the initial sample.

If you want additional sample units, select them randomly. Use the same criteria for determining the size of any additional samples as you did for the initial sample. However, you must reduce the population by the initial sample size.

WORKSHEET (DISCOVERY SAMPLING)

POPULATION SIZE	
DESIRED PROBABILITY (CONFIDENCE LEVEL)	
EXPECTED OCCURRENCE RATE	1/
ESTIMATED NUMBER OF ERRORS IN POPULATION	1/
REQUIRED SAMPLE SIZE	2/
SEED # FOR RANDOM SELECTION	6/
SAMPLE UNIT CONTAINING ERROR	3/
NUMBER OR ERRORS IN SAMPLE	4/
ERROR RATE IN SAMPLE	2/
PROJECTION OF ERRORS IN POPULATION	2/
ADDITIONAL SAMPLE SIZE	5/

1/ Either C or D (but not both) depending upon tables or software being used.
2/ Use either computer program, discovery sampling tables, or call SAAG-PRA (DSN 289-2929).
3/ If the audit objective is to locate at least one error, complete the discovery process by locating, examining and identifying a sample unit containing an error.
4/ If auditor wants to continue evaluating the sample and project an error rate in the population.
5/ Required only if the auditor selects additional sampling units after detecting no errors in the initial sample.
6/ The computer will assign the number if the auditor chooses not to assign one.

REPORTING GUIDANCE FOR DISCOVERY SAMPLING.

When discovery sampling is used, the opinion or report is generally the correction or the recommendation to correct the one error that was found. Because a critical error was found, the report may also state that further investigation of the population is required.

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APPENDIX C

VARIABLES SAMPLING

1. SAMPLING OBJECTIVE. Variables Sampling plans are appropriate when the objective is to estimate dollar values, weights, distances, time periods, costs, or other measurable values which are variable in nature. Variables sampling answers the question how much.

2. EXAMPLES OF APPLICATION. Some examples in which variables sampling would be applicable are listed below.

- Estimate the total value of all travel vouchers processed in a 6-month period. (**Mean-Per-Unit Estimation**).
- Estimate the total value of an inventory, group of vouchers, or amount of receivables from an audited sample where audited values differ from the recorded values for some of the items examined in the sample. (**Difference or ratio estimation** sampling will likely be more efficient than mean-per-unit sampling.)

3. VARIABLES SAMPLING INFORMATION. Variables Sampling primarily deals with numbers and data that differ in value. One of the key elements associated with variables sampling is to estimate the variability within the population.

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a. The term for the measure of variability in the population is the "standard deviation". To find the standard deviation, you must review a preliminary sample from the population. Approximately 50 items should be enough for the preliminary sample. This estimate of the population variability is a key ingredient in determining the sample size required to achieve auditor imposed sampling criteria.

b. The Agency's statistical sampling software provides general information for variables sampling as well as performs the needed computations. Variables sampling steps, a worksheet, and reporting examples follow.

VARIABLE SAMPLING STEPS

AUDITOR MUST:

- ESTABLISH THE AUDIT OBJECTIVE (determine which value is to be estimated).
- DETERMINE POPULATION (size).
- SPECIFY CONFIDENCE LEVEL (e.g. 90 percent).
- SPECIFY DESIRED PRECISION (e.g.+5 percent).
- RANDOMLY SELECT A PRELIMINARY SAMPLE (30 to 50 items). 1/
- DETERMINE SAMPLE SIZE. 1/
- RANDOMLY SELECT ADDITIONAL SAMPLE UNITS REQUIRED. 1/
- COMPLETE USAAA FORM 113. 2/
- EVALUATE/INTERPRET SAMPLE RESULTS. 1/
- COMPLETE USAAA FORM 113A. 2/

- FORMULATE OPINION. 3/

1/ Use the Agency's Statistical Sampling System.
2/ Forward to SAAG-PRA for coordination.
3/ Auditor formulates opinion based on statistical sampling results in conjunction with other audit evidence.

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WORKSHEET (VARIABLE SAMPLING)

A		POPULATION SIZE	.....
B		CONFIDENCE LEVEL (USUALLY 90 PERCENT)	.....
C		PRELIMINARY SAMPLE1/	.....
	1	Size	.....
	2	Seed # for Random Selection 7/	.....
	3	Planned Sampling Error (Precision) 2/	.....
	4	Mean Value 3/	.....
	5	Coefficient of Variation 3/ 4/	.....
D			
	1	Total Sample Size 3/	.....
	2	Additional Sample Units Required	.....
			(D1 - C1)
	3	Seed # for Selecting Additional Units. We recommend using the original seed # (C-2 above)	.....
E		SAMPLE RESULTS	.....
	1	Mean-Per-Unit Estimation	
		A. Point Estimate 3/	.....
		B. Total Sampling Error (Amount and Percent) 3/	.....
		C Lower Confidence Limit 3/	.....
		D. Upper Confidence Limit 3/	.....
	2	Difference Estimates/Ratio Estimates 5/	
		A. Total Recorded Value 6/	.....
		B. Total Difference 3/	.....
		C. Point Estimate (Audited correct value) 3/	.....
		D. Total Sampling Error (precision) 3/	.....
			Amount and percent
		E. Lower Confidence Limit 3/	.....
		F. Upper Confidence Limit 3/	.....

1/ The Auditor must randomly select a preliminary sample (usually 50 items) from the population. This preliminary sample provides the information needed to compute sample size requirements based on auditor selected sampling criteria. Record the seed value so the sample can be expanded with Agency software.
2/ We recommend 10 percent or less.
3/ Supplied by Agency's Statistical Sampling Program.
4/ A coefficient of variation greater than 1 indicates that stratification is essential to get a practical sample size.
5/ These sampling plans are generally more efficient than the mean-per-unit estimator and can be used when both a correct (audited) value and a recorded (book) value exists for each sample item.
6/ Total value shown in the records/ledger (book value) for the population.

7/ The auditor may assign a seed number, or the Agency's Statistical Sampling Program will assign one arbitrarily.

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REPORTING EXAMPLES-VARIABLES SAMPLE

1. MEAN-PER-UNIT ESTIMATION. Using statistical sampling, we reviewed 12,356 inventory records for common aircraft and missile line items. Sampling results indicated that the value of the inventory is approximately $10.2 million.

2. DIFFERENCE ESTIMATION/RATIO ESTIMATION. Using statistical sampling, we reviewed 10,968 travel vouchers issued for the 6-months period ending 30 June l984. Statistical sampling results indicated that the total value of these vouchers is about $1,645,000. The recorded value was $1,901,312. This indicates the vouchers were overstated by about $256,000. The magnitude of the difference suggests that the processing of vouchers warrants closer scrutiny.

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APPENDIX D

COMBINED ATTRIBUTES/VARIABLES SAMPLING

1. SAMPLING OBJECTIVE. Attributes sampling estimates the percentage or proportion of the population possessing a certain attribute. Variable sampling estimates values. These two separate techniques are frequently combined and referred to as combined attributes/variables sampling. In essence, the same initial sample may be used to provide both attribute and variable projections. It is important to note the variables and attributes methods are not interchangeable. For example:

> If results from attributes sampling indicate that 10 percent of all transactions processed during the last 6 months are overdue, this does not by mean that 10 percent of the total dollar value of all these transactions is overdue. The 10 percent of the overdue transactions could comprise 30 percent (or some other percentage) of the total dollar value of these transactions.

2. EXAMPLES OF APPLICATIONS. Examples in which combined attributes/variables sampling would be applicable follow.

> a. Estimate the number and dollar value of accounts receivable that are more than 3 months overdue.
>
> b. Estimate the number of travel vouchers that have computational errors, and the dollar value by which these vouchers have been overstated or understated.

3. COMBINED ATTRIBUTE/VARIABLES SAMPLING INFORMATION: This technique involves using the same sample for both attributes and variables estimation. The order of sequence does not matter. **Appendix B** gives information on **Attributes Sampling** and **Appendix C** gives information on **Variables Sampling**.

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COMBINED ATTRIBUTES/VARIABLES SAMPLING STEPS

1. DEFINE AUDIT OBJECTIVE.

2. DEFINE THE POPULATION.

3. SPECIFY SAMPLING CRITERIA (confidence level, precision and expected occurrence rate).

4. DETERMINE ATTRIBUTE SAMPLE SIZE. 1/ (Use data in 3 above.)

5. SELECT SAMPLE (RANDOMLY).

6. COMPLETE USAAA FORM 113. 3/

7. EVALUATE SAMPLE USING ATTRIBUTES SAMPLING. 1/

- Project the number of units in population possessing the attributes tested. 1/
- Compute Confidence Limits. 1/

8. EVALUATE SAMPLE USING VARIABLES SAMPLING. 2/

- Compute Mean and Standard Deviation of data values. 1/
- Compute Point Estimate. 1/
- Compute Sampling Error. 1/

9. COMPLETE USAAA FORM 113A. 3/

1/ Supplied by Agency's Statistical Sampling program.
2/ Data values for variables sample will depend on the audit objective. If the objective is to determine the value of accounts possessing the attribute tested, use the data values for each sample item. If the objective is to determine the amount of errors in these accounts, use the difference between the recorded and actual values as the data value for each sample item. You must use zero values when the recorded value and the actual value (audit) are the same.
3/ Forward to SAAG-PRA for coordination (DSN 289-2929).

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WORKSHEET (COMBINED ATTRIBUTES/VARIABLES SAMPLING)

1		POPULATION	.....
	a	Size	.....
	b	Recorded Value 1/	.....
2		DETERMINATION OF SAMPLE SIZE (ATTRIBUTE)	.....
	a	Expected Error Rate	.....
	b	Desired Precision	.....
	c	Confidence Level	.....
3		SAMPLE DATA	.....
	a	Required Sample Size 2/	.....
	b	Seed # for Sample Selection 5/	.....
	c	Number of errors in sample	.....
4		EVALUATION OF SAMPLE RESULTS:	.....
	a	Estimate of number of erroneous units in population (Attributes Sampling)	.....
		1. Point Estimate: 3/	.....
		2. Sampling Error: 3/	.....
		3. Lower Confidence level 3/	.....
		4. Upper Confidence level 3/	.....
	b	Estimated Total Value of Errors	.....
		1. Point Estimate 4/	.....
		2. Total Sampling Error (Amount and Percent) 4/	.....
		3. Lower Confidence Limit 4/	.....
		4. Upper Confidence Limit 4/	.....

1/ Total recorded variable value (such as dollars, weight measures, time periods).
2/ Computed by the Agency's Statistical Sampling program.
3/ Pertains to the Attribute part of the sampling plan and is completed by the Agency's Statistical Sampling program.
4/ Pertains to the Variable portion of the sampling plan and is computed by the Agency's Statistical Sampling program.
5/ Assign a seed number or the computer will arbitrarily assign a seed number.

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APPENDIX E

MULTISTAGE SAMPLING

1. SAMPLING OBJECTIVE. Multistage sampling plans are appropriate when you need to estimate the **total frequency** of occurrence or **total value** of a population which is dispersed over numerous activities or locations (more than 10). In this situation, select a random sample of the locations and a subsequent random sample of units within the selected locations.

- Multistage sampling precludes you from auditing at all locations. This technique requires that the locations or activities be similar with respect to procedures, guidelines, and magnitudes. Unique locations or activities should be stratified out and reviewed separately. Place the unique activities in separate strata and draw multistage samples for each strata.
- The Agency's Statistical Sampling program gives guidance and computations for both multistage attributes and multistage variables sampling.

EXAMPLES OF APPLICATIONS. Examples in which multistage sampling would be applicable follow:

- Estimate the number (how many) of accounts receivable not collected within a certain timeframe. The first stage population consists of 70 health care facilities.
- Estimate the total dollar value of inventory items at 15 depot maintenance activities.

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2. TWO STAGE MULTISTAGE SAMPLING. Two-stage sampling is the most appropriate form of multistage sampling. Although plans can consist of more than two levels of sampling, they aren't appropriate for accounting or auditing purposes. While frequencies of occurrence (attributes) or values (variables) may differ from activity, functional procedures at the activities must be the same. If not, stratify out the unique activities and sample them separately. Two stage multistage sampling consists of randomly selecting homogenous activities (first stage) and then a random subsample of units (second stage) at the selected activities. **SAMPLE RESULTS** are based on computing an average frequency of occurrence (attribute) or average value (variable) from the sampled activities and multiplying this by the number of items in the universe, including those at activities not visited.

MULTISTAGE SAMPLING STEPS

AUDITOR MUST:

- ESTABLISH THE AUDIT OBJECTIVE (determine which attributes and/or values are to be estimated).
- DETERMINE POPULATION SIZE (Stage 1 and Stage 2).
- SPECIFY CONFIDENCE LEVEL (e.g. 90 percent).
- SPECIFY DESIRED PRECISION (e.g. ± 5 percent).
- SPECIFY HIGH AND LOW EXPECTED ERROR RATES (attribute sampling)1/.
- RANDOMLY SELECT A PRELIMINARY SAMPLE (30 to 50 items) 2/.

- DETERMINE REQUIRED SAMPLE SIZES 3/.
- RANDOMLY SELECT ADDITIONAL SAMPLE UNITS REQUIRED 2/.
- COMPLETE USAAA FORM 113 4/.
- EVALUATE/INTERPRET SAMPLE RESULTS 3/.
- COMPLETE USAAA FORM 113A 4/.
- FORMULATE OPINION 5/.

1/ Required only for multistage attributes sampling.
2/ Use the Agency's Statistical Sampling program (Random Selection submenu).
3/ Use the Agency's Statistical Sampling program.
4/ Forward to SAAG-PRA for coordination.
5/ Auditor formulates opinion based on statistical sampling results in conjunction with other audit evidence.

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WORKSHEET (MULTISTAGE SAMPLING)

A		POPULATION SIZE:	
	1	Stage 1 (Activities) 1/	.....
	2	State 2 (Items) 2/	.....
B		DETERMINATION OF SAMPLE SIZE:	
	1	Confidence Level (e.g., 90 percent)	.....
	2	Desired Sampling Precision (Sampling Error)	.....
	3	Other Sample Size Determination Factors	.....
		a. Attributes Sampling	
		1. Highest Expected Error Rate 1/	.....
		2. Lowest Expected Error Rate 4/	.....
		b. Variables Sampling	
		1. Preliminary Sample Size:	.....
		2. Seed # for Random Selection	.....
C		REQUIRED SAMPLE SIZE 6/:	.....
D		EVALUATING SAMPLE RESULTS	
	1	Attributes (# errors) Projections	
		a. Point Estimate 6/	.....
		b. Sampling error 6/	.....
			Percent
		c. Lower confidence limit 6/	.....
		d. Upper confidence limit 6/	.....
	2	Variables (values) Projections.	
		a. Point estimate 6/	.....
		b. Sampling Error (Amount and Percent) 6/	.....
		c. Lower confidence limit 6/	.....
		d. Upper confidence limit 6/	.....

1/ Total number of activities or locations.
2/ Total number of units (e.g. inventory items, vouchers, etc.) at all activities or locations combined.
3/ Assumed frequency of occurrence at worst activity or location.

4/ Assumed frequency of occurrence at best activity or location.
5/ Assigned by the Auditor or arbitrarily assigned by the Statistical Sample program.
6/ Determined by the Statistical Sample program.

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APPENDIX F

DETERMINING THE SAMPLE SIZE

1. OBJECTIVE. Once the auditor has (1) determined the objective of the audit test (attribute estimation, variable estimation, detection, etc.), (2) defined the universe, and (3) determined the sample unit, the auditor must compute the sample size. The sample size must be sufficient to meet the objectives of the test, but small enough to efficiently complete the audit.

2. SAMPLE SIZE DETERMINATION FACTORS. The Agency's software should be used to determine required sample size. There are several factors that impact on the magnitude of the sample size. Varying any or all of these factors results in changes in the sample size.

a. POPULATION. The population size has little or no effect upon the required sample size except when the universe is very small. The larger the population, the more efficiency (sample size as a smaller proportion of population) will generally be achieved in sampling. For example, there will probably be little or no change in sample size for a population of 15,000 and one of 450,000.

b. SAMPLE PRECISION. Sampling error (sampling precision) is the error associated with sampling rather than looking at 100 percent of the population. It is expressed as plus or minus some percentage or numerical amount. The tighter the precision, the larger the sample size. For example:

> *A sampling precision of plus or minus 3 percent will require a considerably larger sample size than sampling precision of a plus or minus 7 percent.*

A sampling precision of greater than 10 percent is not appropriate for auditing purposes. Accordingly, the Agency's Statistical Sampling program won't permit a desired sample precision greater than 10 percent. Sampling precision is expressed only in terms of a confidence level.

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c. CONFIDENCE LEVEL.

The confidence or assurance level indicates the percent of times that the results of the sample would not deviate greater than the computed sampling precision. For example:

> *A 95 percent confidence level indicates that if you took 100 samples of the same population, results from 5 samples would have a greater deviation (sample precision) than the results achieved by reviewing the entire population.*

The **higher** the confidence level the **larger** the required sample size. There are no fixed rules in determining confidence levels--the auditor must decide. However, the confidence level should be the same for all locations of multi-location or multi-stage samples. For Agency audits we recommend the following minimum confidence levels.

TYPE AUDIT/TEST	MINIMUM CONFIDENCE LEVEL
Operational/Efficiency	90 percent
Financial Statements (CFO)	95 percent
Fraud Detection	99 percent

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d. Other Factors. Other factors affecting sample size are related specifically to either Attributes Sampling or Variables Sampling.

- **Attributes Sampling.** Another factor affecting the sample size for attributes sampling (in addition to population size, precision, and confidence level) is the **expected rate of occurrence** (error rate). The expected rate of occurrence is expressed as a percentage. The auditor can select an expected rate of occurrence based on knowledge of the population or from previous audit results. Auditors can also use a pilot sample to get an indication of the error rate within the population. When the auditor has no knowledge of what expected occurrence rate is appropriate, the auditor should use a **rate of 50 percent.** This is a conservative measure and can be lowered if the auditor believes the sample size is too large.
- **Variables Sampling.** The variability within the population--as expressed by the **Standard deviation**--is the last factor needed to determine the sample size for variables samples. (Note, this in addition to the confidence level, precision, and population size.)

  (a). The best way to measure this variability is through a **pilot sample** of about **50 items chosen randomly** from the population. When the variability within the population is large, stratifying the population by variable magnitudes is the best way to achieve a practical sample size.

  (b). The **coefficient of variation**, (the ratio of the standard deviation to the mean value) provides a way of determining if stratification is needed. The Agency's Statistical Sampling program provides this value. The following provides guidelines as to whether a practical variable sample can be obtained without stratification.

Coefficient of Variation	Stratification
Less than .5	Not needed
Between .5 and 1	Desirable but not required
Greater than 1	Required

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APPENDIX G

SELECTING THE SAMPLE

1. OBJECTIVE. For sampling to conform to statistical sampling criteria, every item in the population must have an **equal** chance of being selected as a sample member. This appendix gives guidance on Random Number Sampling and Interval Sampling. Auditors should use these two methods to choose the items in the sample.

2. RANDOM NUMBER SAMPLING. This sample selection technique requires that every member of the population be uniquely identified by an identification number. Invoice numbers, social security numbers, serial numbers, page or item numbers on automated lists, and customer account numbers are examples of unique identification numbers needed for random number sampling.

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a. Computer Generated Selection. The Agency's Statistical Sampling program can randomly select the items to be included in the sample. Instructions for random sample selection are included in the Statistical Sampling program. The Agency's software uses a **Seed Number** to activate the random number selection generator. A seed number is a numerical amount (l or more digits) which the auditor may arbitrarily select or the computer will assign it if the auditor so chooses. When necessary, the original random numbers selected or additional random numbers (without duplication) can be generated by using the original seed number with the same population size. The program can provide random numbers for the following situations.

- Random Numbers in a given range.
- Pairs of Random Numbers.
    - Page and line number.
    - Month and number.
    - Letter and number.

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b. Random Number Tables. Auditors can also use sets of random number tables in selecting sample items. Tables come in various formats and consist of random digits generally broken into groups of two or more digits. Contact SAAG-PRA for specific guidance on how to use random number tables. **Computer generated** random number selection is more practical and is the preferred Agency selection method.

3. INTERVAL SAMPLING. To use Random Number Sampling, every member of the population requires some unique "address" such as a control number, invoice number, part number, or social security number. Interval Sampling--also referred to as systematic random sampling--is a sample selection technique that makes sure randomness is possible when no unique address exists. Interval Sampling involves picking every **nth** item from a population after a random start. The Statistical Sampling program gives detailed steps on selecting a sample using interval sampling.

4. SAMPLE SELECTION FOR MULTISTAGE SAMPLES. Random selection of sample units is required at each stage of a multistage sample. Auditors need a random sample of the locations or activities in addition to a random sample of items at the selected locations or activities. If you don't randomly select the locations, you can't project the sample over the entire population. You can only project to the locations or activities actually audited.

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APPENDIX H

APPRAISING SAMPLE RESULTS

1. OBJECTIVE. After determining and selecting the sample size, the auditor must test the sampled items to answer the audit objectives. After testing, the auditor will select the (**"EVALUATE THE SAMPLE"**) option of the appropriate submenu of the Agency's Statistical Sampling program. The program helps determine the results of the sample.

2. SAMPLE RESULTS. The sample results are expressed as a **point estimate** and **interval estimates** consisting of lower and upper confidence limits. The sample results also show the actual **Sampling Precision** achieved.

a. Sampling precision is the true measure of whether the sample results are acceptable or if the auditor must use additional sampling or other techniques. In general, when the actual sampling precision is

close to the desired sampling precision that the auditor established, the sample results are defensible and additional sample work isn't needed. When the actual sample precision exceeds the desired sampling precision, additional sampling work may be needed.

b. The Agency uses the **point estimate** in reporting the results of statistical sampling tests. When warranted, SAAG-PRA may suggest using the conservative **lower confidence** limit in lieu of the point estimate. It is important that you coordinate all sample results with SAAG-PRA (DSN 289-2929) by completing **USAAA Form 113A** (**Appendix I**).

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APPENDIX I

COORDINATING THE SAMPLE

1. OBJECTIVE. Auditors must prepare and coordinate a written record of statistical sampling plans. The written record:

- Makes sure plans conform to statistical sampling criteria.
- Eliminates possible misunderstandings of sampling requirements and methodology.

2. COORDINATING RESPONSIBILITY. The **AIC, Level I or Level II Supervisor** will forward the Statistical Sampling Coordination Record **(USAAA Form 113)** and the Statistical Sampling Evaluation Coordination Record **(USAAA Form 113A)** to SAAG-PRA for review.

a. USAAA Form 113 is for getting approval for the (i) the Sampling Plan, (ii) sample size, and (iii) sample selection method. USAAA Form 113A is for coordinating the sample results (projections) after auditing and evaluating the sample. Auditors should coordinate over the telephone to expedite sampling. But they must still prepare and forward the written coordination records to SAAG-PRA. The fax number for Headquarters is Commercial (703) 756-2860.

b. Auditors must include the completed USAAA Forms 113 and 113A in the audit working papers. The forms must accompany all other pertinent statistical sampling correspondence and computer printouts.

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STATISTICAL SAMPLING COORDINATION RECORD

AUDIT ASSIGNMENT NO **REPORT NO**

AUDIT TITLE:

AUDIT STAFF TELEPHONE NUMBER

a. Sampling Techniques 1/ used or to be used: (Check all that apply)

1. Attributes ……
2. Stratified attribute ……
3. Variables ……
4. Stratified Variables ……
5. Mutistage ……
6. Combined attributes/variables ……
7. Other (list)……

(ex: reverse, discovery, acceptance, etc.)

b. Data: Sample Parameters (Fill in those that apply.)

Confidence Level (Percent) ……%

Desired Precision (sampling error) (Percent) ……%
Expected Error Rate (attributes sampling)(Percent) ……%
Number of Strats (stratified): ……
Number of Stages (multistage ……

Population/Universe 2/	**Sample Size 2/**	**Sample Selection/Method 3/**
1……	……	……
2……	……	……
3……	……	……
4……	……	……
5……	……	……
6……	……	……
7……	……	……

Remarks:

Signature:…… ……
Date

Remarks:

Signed:…… ……
Date

USAAA FORM 113 JUL 93

1/ *Description of specific techniques is available on Agency Statistical Sampling program (HELP).*
2/ *For stratified or multistage populations, give the universe and sample size for each strata or stage.*
3/ *Selection method must be random for all populations, strata or stages (audit sites on multistage sampling). Auditors should use computer generated random numbers when practical.*

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STATISTICAL SAMPLING EVALUATION COORDINATION RECORD

AUDIT ASSIGNMENT NO.: **REPORT NO**

AUDIT TITLE:……

AUDIT STAFF TELEPHONE NUMBER:……

Sample Evaluation:

1 Population/Universe size ……
2 Confidence Level: ……%.
3 Actual Sampling Error (Precision) ……%.
4 Sample Projection (Point estimate) ……
5 Conservative Estimate (lower limits) ……

Remarks:

Signed:…… ……

Level I/Level II Supervisor/AIC Date

Remarks:

Signed:…… ……..

HQ SAAG-PRA Date

USAAA FORM 113A, JUL 93

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DEPARTMENT OF THE ARMY
HEADQUARTERS UNITED STATES ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION 36-101 **1 December l993**

ANALYTICAL TECHNIQUES

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1. PURPOSE. The purpose of this regulation is to provide a working tool which auditors can use to determine when and how to use various analytical techniques in support of audits. The main objectives in preparing this regulation are to make auditors aware of numerous techniques that have potential audit application and to describe and illustrate examples of various analytical techniques.

2. APPLICABILITY. The provisions of this regulation are applicable to all audits performed by the U. S. Army Audit Agency.

3. REFERENCES

(a) USAAAR 36-91, Audit by Objectives, 17 October l990.

(b) USAAAR 36-100, Statistical Sampling for Audits, 1 July l993.

(c) AR 11-18, The Cost and Economic Analysis Program,7 May l990.

(d) OMB Circular No. A-94, Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs, 29

October l992.

(e) DA Pamphlet 415-3, "Economics Analysis: Description and Methods", 10 August l993.

(f) U. S. Army Corps of Engineers, USA-CERL Technical Report P-89/08; "Economic Analysis: Description and Methods, "December l988.

(g) U. S. Army Audit Agency financial analysis software.

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4. DEFINITIONS. Many terms used in this regulation may be unfamiliar to individuals with little or no experience with the specific analytical techniques included herein. We list definitions of some terms commonly used in discussion of analytical techniques in Appendix A.

5. BACKGROUND. USAAA Regulation 36-91, Audit by Objectives, states that we should use the capabilities of advanced audit techniques to the maximum. There are numerous tools and techniques of management science which when coupled with other audit techniques result in audit findings and estimated monetary benefits which are both more convincing and defensible. This regulation will highlight some of the many analytical techniques available, focusing on those having the greatest audit potential for Agency use.

6. POLICY. This regulation reaffirms the policy objectives outlined in USAAA Regulation 36-91, Audit by Objectives. Analytical techniques and scientific advances are recognized management tools designed to assist in investigative activities such as auditing. Personnel in the Automation and Audit Support Division will evaluate the use of analytical techniques for all audits. In this regard, audit teams should coordinate early with the Automation and Audit Support Division during the survey stage of audits to determine the applicability of analytical technique usage. We will use audit scope and practicality as the prime determinant as to whether such techniques will be used. The coordination should be documented in audit workpapers. Analysis resulting from analytical techniques provides supportive evidence that should be used in conjunction with auditor judgment and other audit techniques in the determination of findings.

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7. RESPONSIBILITIES

(a) Automation and Audit Support Division (SAAG-PRA) is responsible for:

1. Serving as the Agency central point of contact for inquiries and matters pertaining to analytical techniques.
2. Furnishing technical advice, computational support and assistance.
3. Reviewing audit reports containing data or analyses obtained by analytical techniques and reporting the results of the review to the cognizant directorate or region, as appropriate.
4. Providing feedback to the regions on the details of particularly outstanding or complex analytical techniques included in recent audits (USAAA, DODIG, GAO and other review organizations).
5. Developing analytical techniques software for Agency microcomputers.

(b) Associate Regional Auditor Generals/Associate Directors are responsible for coordinating with the Automation and Audit Support Division, prior to release of the audit report, to ensure the consistency of the narrative report with the methodology and results obtained when analytical techniques have been used.

(c) Audit managers are responsible for:

1. Ensuring early coordination between the audit team and the Automation and Audit Support Division (SAAG-PRA) to determine if any analytical techniques have potential use in the audit.
2. Ensuring that audit workpapers fully document and support all matters relating to the specific analytical techniques used.

(d) Auditors are responsible for finding development. Auditors will generally be expected to gather all required data and leave the mechanics of the analytical techniques to the Automation and Audit Support Division. However, auditors who possess the expertise are encouraged to perform the analysis and coordinate the technique and results with the Automation and Audit Support Division.

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8. REPORTING. Findings developed through the use of a specific analytical technique shall include a statement that the technique was used. Details, such as mathematical formulas, properly belong in the audit workpapers and not in the audit report. The result of the analysis should be expressed in every-day language, avoiding scientific jargon and notations unless absolutely essential. If there is sufficient reason for providing such details, an appendix to the report is generally more appropriate.

FOR THE AUDITOR GENERAL:

PATRICIA A. DALTON
Director
Audit Policy, Plans and Resources

THE PROPONENT OF THIS REGULATION IS THE AUTOMATION AND AUDIT SUPPORT DIVISION. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PRA.

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APPENDIX A

DEFINITIONS

This glossary provides definitions for a few terms that are commonly used in the application of various quantitative techniques.

Analysis of Variance.	A statistical method used to compare the mean values of three (or more) samples. This technique is useful in determining if the differences in sample means are significant. If the difference is substantial, then it can be assumed the samples did not come from the same universe.
Attribute	Any characteristic that is either present or absent.
Attributes Sampling.	A statistical procedure based on estimating the rate or frequency of occurrence of a particular attribute in a population.
Audit Sampling.	The application of an audit procedure to less than 100 percent of the items within an account balance or class of transactions for the purpose of evaluating some characteristic of the balance or class.
Break-even Analysis.	An analytical technique which provides a means to determine the level of activity for a period at which revenues produced equal the costs incurred.
Chi-Square.	A test statistic which can be used to measure whether the frequency of occurrence of one variable is independent from a second variable (e.g. education/income).
Confidence Level (reliability).	The percentage of time that the sample results will represent the population within the stated range of precision.
Cost-Benefit Analysis.	An analytical approach to solving problems of choice. It involves the identification of each alternative which yields the required level of benefits at the lowest cost. This process is often referred to as cost-effective analysis when the benefits or outputs cannot be quantified in terms of dollars.
Critical Path Method (CPM).	A network model that uses completion time and the cost-time relationship of all activities to yield a minimum project completion time with the least increase in cost over normal cost.
Discounting.	A technique for converting various cash flows over time to equivalent amounts at a common point in time, considering the time value of money (see present value).
Economic Order Quantity (EOQ).	A basic inventory model designed to provide inventory analysis information. The model determines how much to reorder and when to reorder.
Hypothesis Testing.	A decision model in which a hypothesis is formulated for the sole purpose of accepting, rejecting or nullifying it.

Learning Curve.	Quantitative theory that describes efficiencies arising from experience. With experience comes increased productivity.
Linear Programming.	A quantitative technique designed to make optimal uses of limited resources. All linear programming applications seek to maximize or minimize some quantity (usually profits or costs).
Network Analysis.	A quantitative methodology designed to determine the shortest or longest route through a network.
Non-Parametric Testing.	Statistical testing which does not use statistical parameters to draw inferences about the population.
Parameter.	A quantitative characteristic of a population (e.g. mean, standard deviation).
Parametric Testing.	Testing which involves drawing inferences about population parameters by examining sample statistics such as means or standard deviations.
PERT (Program Evaluation and Review Technique).	A network technique designed to provide a graphical approach to project planning and scheduling.
Population (Field, Universe).	The total mass from which the sample is to be drawn. In auditing, it usually represents the total number of records to be examined.
Present Value.	Method of evaluating investment alternatives in which the time value of money is considered.
Precision.	The range within which the estimate of the population characteristic is estimated to fall at a stated confidence level. Sampling precision is the same as sampling error.
Queuing Models.	Quantitative techniques designed to determine the proper number of servicing facilities in situations where waiting for service occurs.
Regression.	A quantitative approach that determines the functional relationship of a variable with one or more independent or predictor variables. It provides a prediction equation plus test statistics to evaluate the reliability of the prediction equation.
Return on Investment.	A technique useful in evaluating proposed capital expenditures. The basic formula is income (savings) divided by invested capital.
Risk.	A term for the probability that an event will occur. In decision theory, risk is considered measurable while uncertainty is not. In situations of risk, the probabilities associated with potential outcomes are known.
Sample.	Items selected from a population that are used to reach a conclusion about the population.
Sensitivity Analysis.	This is an investigation of how analytical results may change with respect to changes in system parameters or basic assumptions.
Sampling Unit.	Any of the individual elements, as defined by the auditor, that comprise the population.
Standard Deviation.	A term that describes the degree of spread or variability in a set of data. The less variation among item values, the smaller the standard deviation. Conversely, the greater the variation, the larger the standard deviation.
Statistic.	A quantitative characteristic of a sample (e.g. mean, standard deviation).
Statistical Sampling.	Sampling that uses the laws of probability for selecting and evaluating a sample from a population for the purpose of reaching a conclusion about the population.
T-Test (Student's T-Test).	A statistical technique which measures the significance of differences between two populations. The most common use is to compare the mean values of two different data sets.
Universe.	See population.

Variables Sampling.	The sampling process used to measure characteristics in a population in terms of their individual magnitudes or values. The variable may be dollars, length of time, weight, age, or any quantitatively measurable value.

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APPENDIX B

ANALYTICAL TECHNIQUE SUMMARY

QUANTITATIVE METHOD	OBJECTIVE	POTENTIAL AUDIT APPLICATIONS
Economic Analysis	Determine the most cost-effective course of action	
A Present Value (Discounting)		Lease vs. purchase (telephone equipment, computers, automobiles, etc.)
B Break-even analysis		Determine revenue level for clubs, production levels, etc. (minimum operational levels.).
C Rate of Return on investments		Evaluate investment alternatives.
Inventory Analysis	Determine optimum inventory policy	1. Analyze inventory controls 2. Analyze inventory procurement policy. ❍ How much to order. ❍ When to order. ❍ Reorder point ❍ Safety stock levels.
Learning Curve	Measure the efficiency resulting from experience. (particularly acute in early stages of production)	Analyze production time and cost requirements for projects such as construction of aircraft, tanks, missiles, and other weapon systems. 1. Determine the cumulative average labor requirements at a certain production level 2. Determine the cumulative cost of a component at a certain production level.
Linear Programming	Determine optimum use of limited resources	1. Measure effective use of resources. - Manpower, machinery, money, time, space etc.
	Seeks either to maximize (profits) or minimize (costs).	2. Determine efficiency of a distribution system.
		3. Determine most profitable product mix.
	Determine the most desirable/profitable course of action	4. Determine investment portfolio.
		5. Evaluate efficiency of activity scheduling.
Network Analysis (PERT & CPM)	Monitor the progress of lengthy projects that can be largely divided into subprojects or activities.	1. Reveal project bottlenecks.
		2. Determine shortest total time required to complete a project.
Widely used in construction of ships, aircraft, missiles, buildings.	Plan, schedule, monitor and control project activities.	3. Determine shortest or longest route through a network
		4. Estimate the time of project completion.
		5. Identify critical activities.

		6. Monitor milestones.
		7. Time/Cost tradeoff.
Non-Parametric Testing	Test to see if one variable in a sample is independent from a second variable.	Evaluate the relationship between one variable and another, e.g.
Contingency Tables (Chi-Square)		Refrigeration/battery life. Income level or race or religious preference/attitude toward ROTC. Education level/length of military service.
Parametric Testing	Draw inferences about populations by examining sample statistics from each.	Measure the difference, if any, between separate populations, e.g.
A. T-tests (2 samples from different population).		Customer response to advertising methods for ROTC, recruitment, etc. (Newspaper/TV, TV/Brochures). Lifetime of different brand/types of batteries or power sources. Education - training methods (classroom/home study). Control Group/experimental group.
B. Analysis of Variance (more than 2 samples, each from different populations).		Brands of paint (chemicals) on different surfaces Efficiency of different models of machinery, automobiles, operating processes.
		Quality of a product produced by several sources.
Queuing Models	Determine the Optimum size of servicing facilities.	1. Measure the efficiency of operations in commissaries, clubs, hospitals, recruitment examination stations, etc.
		2. Determine the number of available repairmen required.
		3. Determine the number of required telephone and/or other equipment requirements.
Regression Analysis	Forecast/estimate a variable based on its association with one or more other variables.	1. Estimate accuracy of project work loads/requirements
	(Build a predictive model).	2. Estimate the effectiveness of training programs.
		3. Estimate an account balance based on its association with another account, e.g.: ● Account receivables based on sales or projected sales. ● Payables based on inventory. ● Number of employees based on revenue

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APPENDIX C

LINEAR PROGRAMMING (LP)

1. DESCRIPTION. Linear programming is a mathematical technique designed to help managers in the planning and decision making process. Linear programming is a general model for the optimum allocation of scarce or limited resources.

2. WHEN TO USE. Linear programming is usually applicable when it is desired to determine the most effective use of limited resources. In essence, this technique is generally useful in determining which program or course of action is best or optimal in terms of some course of action. The objective of linear programming is to find the optimum which either maximizes(usually profits) or minimizes (usually costs) for a given situation. Linear programming has proven valuable in determining the optimal:

- Product Mix
- Transportation Schedule
- Location of Facilities
- Assignment of Machines or Personnel
- Media (Advertising) Selection

3. TECHNIQUES. Linear Programming models are always formulated in such a way that the objective function is either maximized or minimized in the process of finding a solution. The choice between maximization and minimization depends on the context of the problem. Determining the objective function involves deciding what is to be investigated using LP in the context of the audit object. For example, the auditor may be interested in investigating advertising costs for recruitment or machine hours available for use. In essence, the audit objective is crucial to the formulation of LP problems. The working procedures of LP are listed below:

a. Identify the objective function.

b Identify the resource restrictions that must be observed in attaining the ultimate objective.

c. Identify the variables that are common to the restrictions and the objective functions.

d. Mathematically formulate the objective functions.

e. Formulate the constraints (restrictions) mathematically.

f. Solve. Ordinarily there are an infinite number of solutions to an LP problem, but only one solution maximizes or minimizes the objective function.

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4. LINEAR PROGRAMMING EXAMPLE. The example included herein is presented to facilitate understanding the LP process. This problem is limited to two variables so that it can be solved graphically which aids in the understanding of the LP process. The data and mathematical formulation appear on page C-3. A graph illustrating this problem is on page C-4. The results are shown on page C-5.

LINEAR PROGRAMMING EXAMPLE DATA

Army uses 2 Advertising Methods:

X - Television

Y - Radio

Objective - Determine maximum advertising effectiveness with limited budget and specified number of monthly ads. Effectiveness is measured as maximum coverage in a year with 1 ad per month. (radio or tv).

Cost

X (TV) $200 per ad

Y (Radio) $ 80 per ad

Audience Coverage

X (TV) 10,000

Y (Radio) 6,000

Total Budget: $1,200

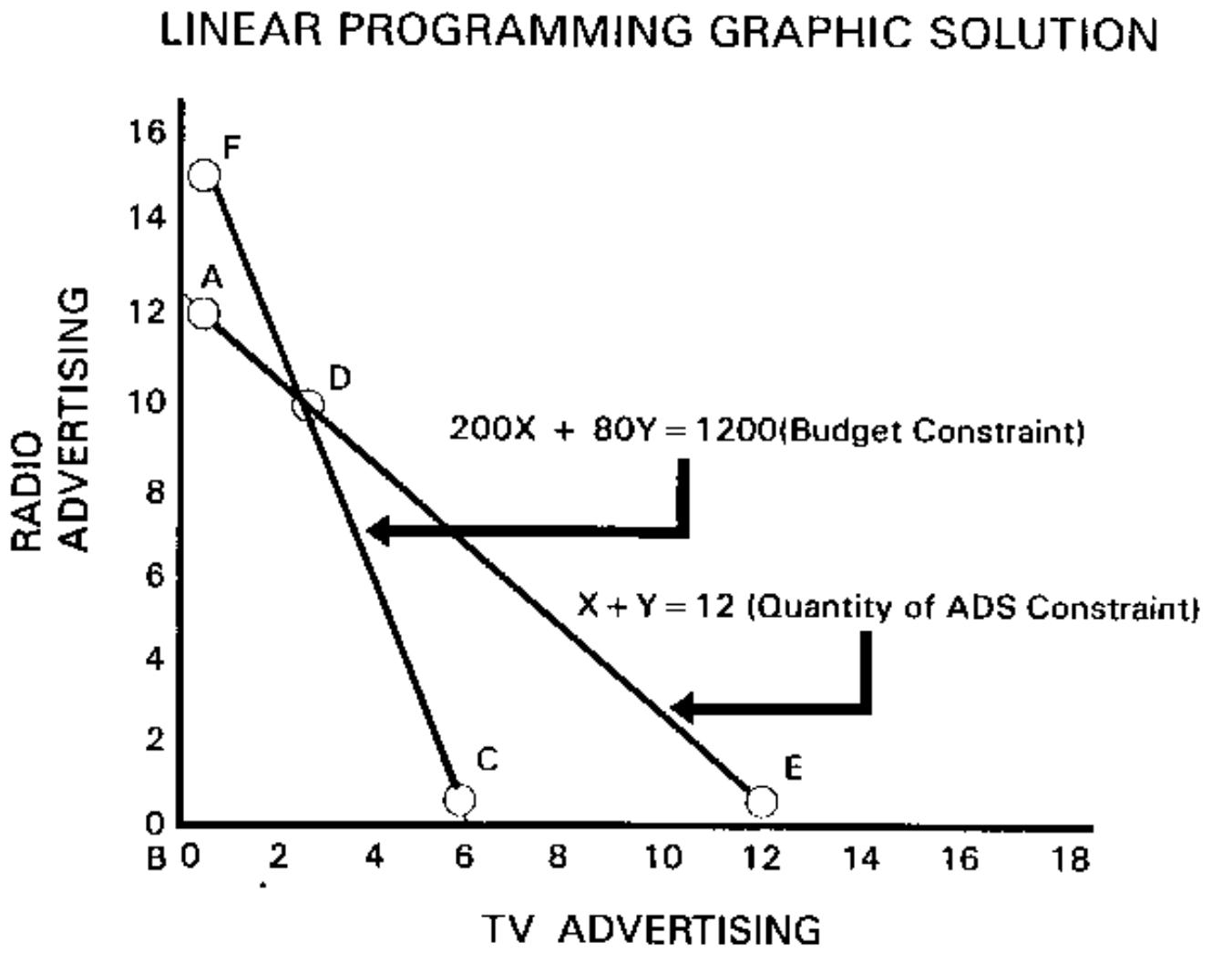
Mathematical Formulation

Objective Function: Maximize 10,000 + 6,000Y.

Subject to:

Restrictions

1. Cost 200X + 80 Y = 1,200
2. Quantity X + Y = 12



NOTE: SHADED AREA IS THE FEASIBLE REGION (AREA CONTAINING ALL POSSIBLE SOLUTIONS TO THIS PROBLEM).

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LINEAR PROGRAMMING EXAMPLE SOLUTION

OPTIMAL SOLUTION: THE OPTIMAL SOLUTION IS ALWAYS ON A CORNER POINT OF THE FEASIBLE REGION

(EITHER POINT A, B, C OR D IN THE LP EXAMPLE). TO DETERMINE THE OPTIMAL SOLUTION, SUBSTITUTE THE VALUES OF X AND Y AT EACH CORNER POINT IN THE OBJECTIVE FUNCTION AND COMPARE. IN THIS INSTANCE, THE OPTIMAL SOLUTION (80,000 AUDIENCE COVERAGE) CONSISTS OF 2 TV ADS AND 10 RADIO ADS UNDER THE GIVEN CONSTRAINTS. NOTE: THE OBJECTIVE WAS TO GET MAXIMUM COVERAGE WITH 12 ADS WITHIN THE BUDGET OF $1,200. A DIFFERENT OBJECTIVE WOULD YIELD DIFFERENT RESULTS.

	QUANTITY OF ADS		
CORNER POINT	**TV's**	**RADIOS**	**OBJECTIVE FUNCTION: MAXIMIZE (AUDIENCE COVERAGE)**
A	0	12	0 times 10,000 + 12 times 6,000 = 72,000
B	0	0	0 times 10,000 + 0 times 6,000 = 0
C	6	0	6 times 10,000 + 0 times 6,000 = 60,000
D	2	10	2 times 10,000 + 10 times 6,000 = 80,000

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APPENDIX D

NETWORK ANALYSIS

1. DESCRIPTION. Network analysis consist of analytical techniques that provide graphical approaches to project planning and scheduling. These networks use graphical representation of a project or process to depict the flow as well as the sequence of well defined activities and events. The two principal network models are PERT (Program Evaluation and Review Technique) and CPM (Critical Path Method). The central objective of each of these models is to enable a manager to monitor, evaluate, plan, schedule, and control all of the work activities involved in the completion of a project.

2. WHEN TO USE. Network analysis is extremely useful in analyzing, scheduling, controlling progress and completion of large jobs. It is widely used in construction of buildings, ships, aircraft, tanks, and missiles. Auditors will find it useful when the audit objective include:

- Monitoring progress of activities
- Estimating cost of a project/contract
- Locating potential bottlenecks
- Determining expected completion dates.

3. TECHNIQUES. Program Evaluation and Review Technique and Critical Path Method models are similar in terms of formulation and analysis. The two major differences pertain to the determination of time for each activity (actual work to be performed) and costs associated with each activity. Program Evaluation and Review Technique uses a time estimate based on three different times while CPM generally uses a single time estimate. Also, CPM has a cost associated wit each activity while PERT may or may not. The working procedures of PERT and CPM consist of five steps:

a. Analyze and breakdown the project in terms of specific activities and events (beginning or end of an activity).

b. Determine the interdependence and sequence of activities, and draw a network.

c. Assign estimates of time, cost or both to all activities.

d. Identify the longest path (critical path) in terms of time.

e. Monitor, evaluate, control, reschedule, and/or reassign resources.

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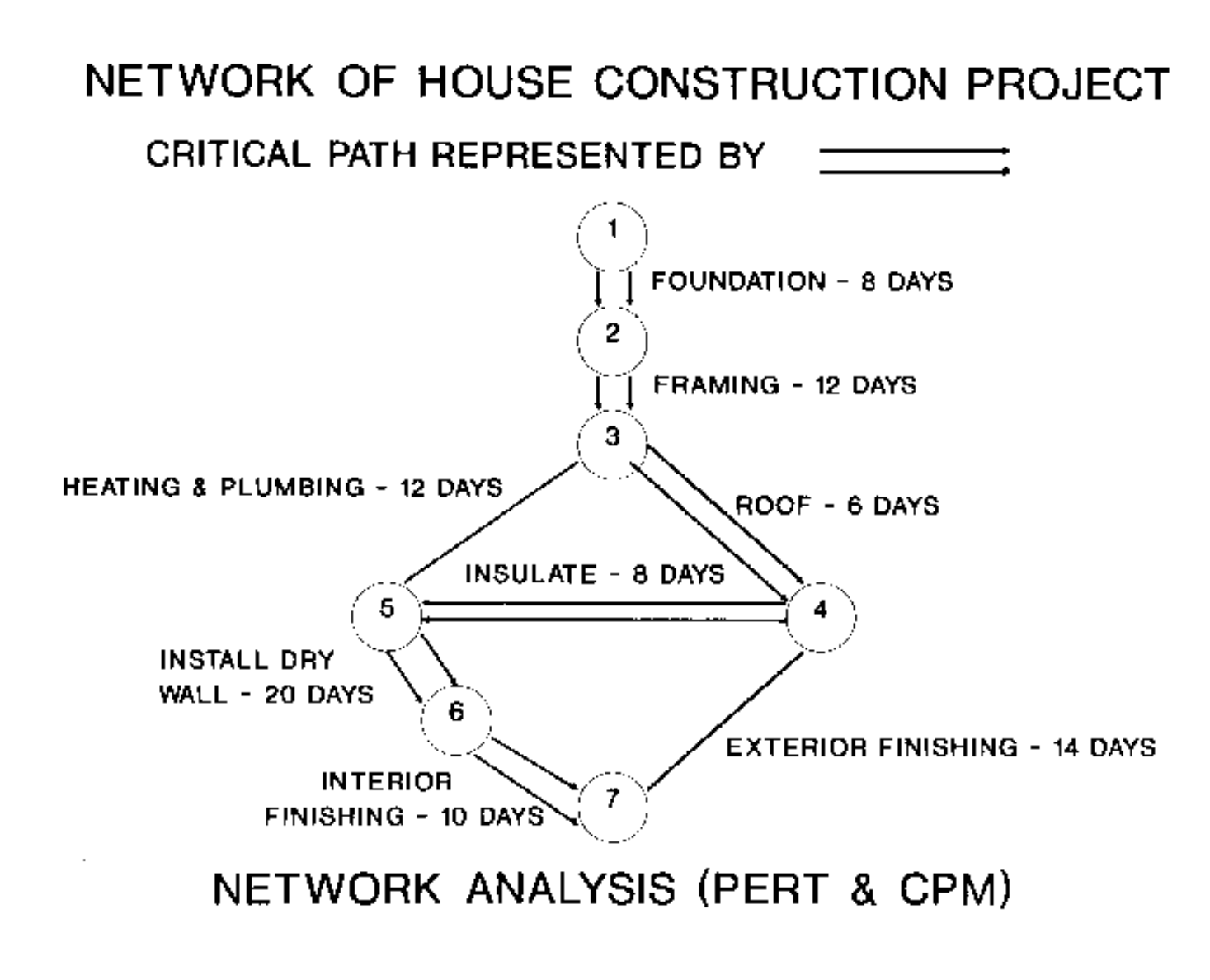
4. NETWORK ANALYSIS EXAMPLE. The following is an example of a network for the construction of a house. Short cuts have been taken to facilitate understanding the illustration. Page D-3 shows the major activities and their associated time requirements. Page D-4 is a network of the construction of the house. The double lines in the network indicate the critical path. Page D-5 lists the 3 possible paths in the network and their aggregate time requirements.

HOUSE CONSTRUCTION

ACTIVITY	DESCRIPTION	TIME (DAYS)
1-2	LAY FOUNDATION	8
2-3	CONSTRUCT FRAME	12
3-4	INSTALL ROOF	6
3-5	PLUMBING, WIRING AND HEATING	12
4-5	INSTALL INSULATION	8
4-7	FINISH EXTERIOR	14
5-6	INSTALL DRY WALL	20
6-7	CARPETING AND INTERIOR FINISHING	10



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NETWORK PATHS	TIME REQUIRED
1-2-3-4-7	40 DAYS

1-2-3-4-5-6-7*	64 DAYS
1-2-3-5-6-7	62 DAYS

*This represents the critical path which is the minimum time this job can be completed as formulated.

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APPENDIX E

ECONOMIC ANALYSIS

1. DESCRIPTION. Economic analysis comprises many separate techniques designed to examine various alternatives in order to ensure efficient and effective allocation of resources. This group of techniques, commonly referred to as economic analysis, is concerned primarily with resource implications pertaining to expenditures and investment decision, both present and future. Two of the most useful are discussed below.

a. Present Value (Discounting) is a technique that provides a mechanism for considering the time value of money. It essentially involves converting various cash flows occurring over time to equivalent amounts at a common point in time, considering the time value of money.

b. Cost Analysis consists of various quantitative approaches useful in determining the cost of various spending options. Cost analysis includes such techniques as break-even analysis, fixed vs. variable costs, cost vs. benefits, rate of return, and payback period determination.

2. WHEN TO USE. Economic analysis should prove beneficial when the audit objective includes an evaluation of alternatives in the area of investment decisions. Army Regulation 11-18, 7 May 1993, "The Cost and Economic Analysis Program" provides guidance for economic analysis situations in the Department of the Army (DA). Office of Management and Budget Circular A-94, 10 October 1992, provides guidelines and discount rates for benefit - cost analysis of Federal programs. The Agency's Financial Analysis Software will perform many of the computations needed for economic analyses situation. Investment activities shown below generally offer opportunities to perform some type of economic analysis.

- Weapons System
- Construction Projects
- Procurements of Items or Services
- Manpower
- Combination of the Above

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3. TECHNIQUES. There are numerous analytical tools and specific techniques that are used in economic analysis. Department of Army Pamphlet 415-9, 10 August 1992 and U.S. Army Cops of Engineers "USA-CERL Technical Report P-89-/08", December 1988 are both titled "Economic Analysis: Description and Methods", these publications provide step-by-step instructions in performing economic analysis. Economic analysis generally requires three basic steps as discussed below:

a. Examination of Alternatives. There are often several ways to accomplish an objective. The first step in economic analysis involves examining suitable alternatives. Examples of alternatives frequently encountered are:

- Make or buy
- Buy or Lease
- Manpower or Machine
- Military or Civilian Personnel
- Repair or Replace
- Centralize or Decentralize

b. Determination of Costs and Benefits. The second step in economic analysis generally involves a determination of the cost of each alternative and what benefits will be derived. It is sometimes referred to as the cost-benefits step.

c. Comparison of Alternatives. This step involves comparing costs and benefits of two or more alternatives.

- If alternatives produce equal benefits, then the least costly is usually the most desirable.
- If the alternatives are of equal cost, the most beneficial is usually the most desirable.
- If the alternatives are of unequal cost and unequal benefits or output, cost-benefit analysis a means of comparison.

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4. ECONOMIC ANAYLSIS EXAMPLE. A new computer system is proposed. It is estimated that it will save $30,000 per year from current operations. The total cost of the system is $75,000. How long will it take to break even if the cost of capital is 20% annually?

a. Mathematical Solution.

$$T = - \frac{\log\left(1 - \frac{Ci}{S}\right)}{\log(1+i)}$$

Where:

T = time to break even
C = cost of investment
i = interest rate (cost of capital)
S = annual savings

Solution:

$$T = - \frac{\log\left(1 - \frac{75{,}000 \times .2}{30{,}000}\right)}{\log(1 + .2)}$$

$$- \frac{-.30102}{.0791812}$$

$$= 3.8 \text{ years or 46 months}$$

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APPENDIX F

INVENTORY ANALYSIS

1. DESCRIPTION. Inventory analysis consist principally of mathematical approaches to the management of inventory. Because of the large investment and the overall functioning of an organization, good inventory management is crucial. Regardless of the complexity of inventory decisions, generally only two major decision must be made concerning any current or potential inventory item. In simple terms, inventory analysis involves "when" and "how much" to order for any particular item. Inventory models provide the means of designing a optimal inventory policy in term of when and how much to order/produce.

2. WHEN TO USE. Inventory analysis is extremely useful in assessing inventory control. This type of analysis is primarily geared toward determining when to order (reorder points) and how helpful in "what" is to be procured and "where" are the best sources of procurement (price discounts and quality). The inventory model can be used to determine:

- Reorder Point
- Economic Order Quantity
- Stockout Costs
- Safety Stock Costs
- Cost of Holding Inventory

3. TECHNIQUES. Inventory models generally are concerned with minimizing the cost of inventory items over a period of time. The two main costs associated with inventory models are the costs of placing an order and the cost of holding inventory. Hence,

inventory models are generally concerned with minimizing the ordering costs and carrying costs. Models and/or graphs may be used to solve inventory problems, depending upon the complexity. The foundation of the inventory models is that the optimum order quantity is the point that minimized total inventory cost (sum of ordering costs and carrying costs. This is also the point where the ordering costs equal the carrying costs. Models can be adjusted to consider stockouts, back orders, quantity discounts, and other inventory peculiarities.

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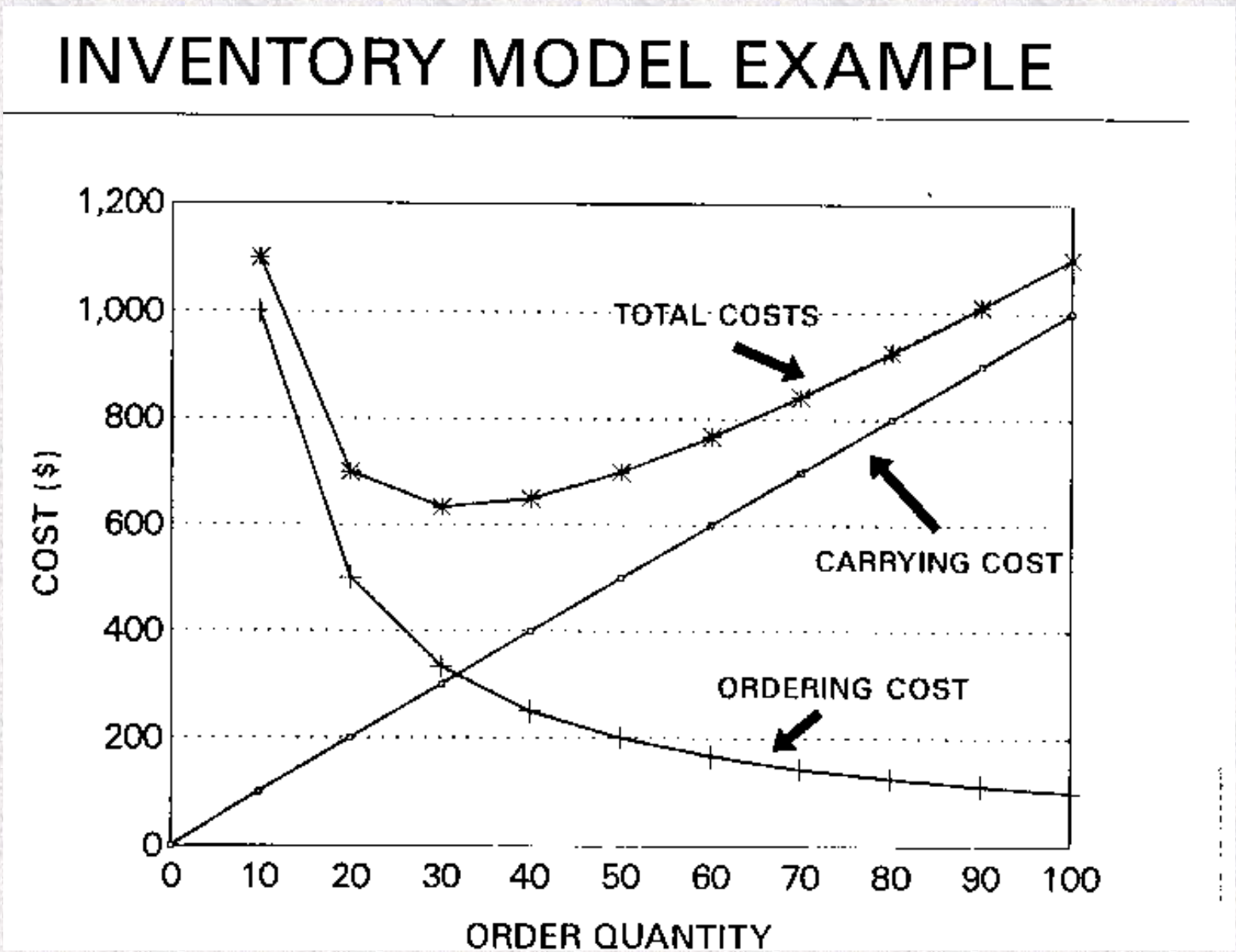
4. INVENTORY ANALYSIS EXAMPLE. There are several methods available for solving inventory problems. These include numerical approaches (tables), analytical approaches (mathematical models), simulations, linear programming, and transportation model formats. The example we present uses a table because of its simplicity in illustrating inventory analysis. A graph of the basic Economic Order Quantity (EOQ) model, using the data in the table, is presented on page F-3. The graph also indicates that an order quantity of approximately 30 results in the lowest total inventory cost.

ORDER QUANTITY	ANNUAL CARRYING COST ($)	ANNUAL ORDER COST ($)	TOTAL INVENTORY COST ($)
10	100	1,000	1,100
20	200	500	700
30*	300	333	633
40	400	250	650
50	500	200	700
60	600	167	767
70	700	142	842
80	800	125	925
90	900	111	1,011
100	1,000	100	1,100

*Economic Order Quantity (EOQ). The quantity that minimizes total inventory cost.



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APPENDIX G

REGRESSION ANALYSIS

1. DESCRIPTION. Regression analysis is a statistical technique which uses actual data based on some mathematical relationship between one variable and a set of variables to build a predictive model. Simply put, regression analysis is a technique for measuring the relationship of one variable with another. For example is there a relationship between height and weight?

2. WHEN TO USE. Regressions analysis is quite useful when future projections are required based on past observations. This particular technique generally provides fairly accurate predictions for short-term forecasts (2 years and under). Regression analysis is a very powerful analytical technique with unlimited applications. Examples of potential applications include:

- Estimating manpower requirements
- Effect of training (before/after)
- Forecasting sales or revenues
- Estimating supply and demand for products
- Identifying variables involved for funding projects

3. TECHNIQUES. Regression is expressed in the formula of a straight line. The general form of the straight line equation is **y = a**

+ b x. The variable being forecasted is represented by **y** (dependent variable). The symbol **x** represents the independent variable. The symbol **b** (slope) is the contribution of **x** to the forecasted value of **y**. The symbol a (intercept) is the portion of **y** that is fixed. Simply stated, a represents that portion of **y** that does not change regardless of the value of **x**. Random samples provide the necessary data and each sample unit has two or more values of interest that are measured. The value to be forecasted is denoted **y**. The other value is denoted **x**. Computer programs are then used to perform regression computations using the paired values for **x** and **y**. The regression computations consist of the regression equation for the data values used as well as test statistics that indicate the degree of reliance that can be placed on the regression equation's predictive capability.

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4. ANALYSIS EXAMPLE. The regression sample presented here is a simple application where vehicle mileage **(x)** represents the independent variable and annual maintenance hours **(y)** represents the dependent variable. The objective here is to derive a predictive equation to forecast maintenance hours based on vehicle mileage. For sure, other variables such as age, type of vehicle, and weather conditions could also be included. However, the example is kept simple to facilitate understanding. The sample data is listed below. Page G-3 shows the results obtained using the Agency statistical sampling software. Page G-4 shows the prediction capability when mileage is 65,000.

VEHICLE MILEAGE (THOUSANDS)	ANNUAL MAINTENANCE (HOURS)
61.3	37.5
42.9	20.6
54.9	33.0
81.7	51.4
39.0	36.1
14.9	10.3
36.7	31.0
9.0	8.1
16.3	19.1
25.0	18.4
21.2	22.3
46.5	31.2

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STATISTICAL SAMPLING SOFTWARE COMPUTER PRINTOUT
LINEAR REGRESSION ANALYSIS
RESULTS

Mainthrs = 6.7724 + .05290 (Mileage)

R-Square: 0.8487

R: 0.9213

Standard Error of Estimate: 5.0583

Sample Size: 12

Mean Value of Mainthrs: 26.5833

Mean Value of Mileage: 37.4500

REGRESSION ANALYSIS
RESULTS

The R-Square Value for this Model is 0.849 and indicates that we can account for approximately 84.87% of mainthrs by knowing mileage. The remaining 15.13% of mainthrs is attributable to other factors.

The R-Square can range from 0 to 1 and the higher the value the better the model.

The correlation coefficient (R) is 0.921. This indicates that mainthrs increases as mileage increases.

STATISTICAL SAMPLING SOFTRWARE COMPUTER PRINTOUT
PREDICTION OF DEPENDENT VALUE

MILEAGE	PREDICTED MAINT HRS	95% CONFIDENCE INTERVAL
65,000	41.16	FROM: 51.27 TO: 31.04

INTERPRETATION OF REGRESSION RESULTS

For a value of 65 thousand for mileage, the predicted value for mainthrs is 41.16. There is a 95% probability that for a value of 65 thousand for mileage, the corresponding value of mainthrs will be between 51.27 and 31.04.

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ANNEX H

LEARNING CURVE

1. DESCRIPTION. The learning curve concept is a quantitative technique that is based on the premise that with experience comes increased productivity. Under this concept, productivity increases with production size but a decreasing rate. Simply stated, this technique is based on the concept that since a worker continues to do his job a little better with each subsequent repitition, the job is being done more and more efficiently The learning curve is a graph of the relationship between the cumulative average time rquired to produce each unit of out put and the total number of units produced.

2. WHEN TO USE. Learning curve technique is extremely useful when the audit objective includes an assessment of production time and cost requirements for weapons systems such as tanks, missiles, and aircraft. It is generally useful in assessing the average number of manhours required to manufacture a certain quantity of units of output. It can also be used to estimate average labor cost per unit of output. Learning curves have proven valuable in analyzing:

- Production processes
- Training costs
- Construction operations
- Ship building
- Aircraft, missiles and tank construction

3. TECHNIQUES. Learning curve analysis, in its simplest form, applies the expected rate of learning to the production process or operation in the computation of the cumulative average cost/time for any level of activity. Generalized rate of learning have been developed for certain industries and operations and some are shown on page H-5. The starting point in learning curve analysis is the first unit of production. The cost/time to produce this first unit is 100%. An 80% learning curve rate indicates that cost/time of the process is reduced to an 80% level every time production is doubled. Thus, moving from the first unit produced to the second unit will result in a 20% cost/time savings. The fourth unit will require only 80% of the cost/time of the second unit. Special formulas are available to compute the cumulative average time per unit for any level of production. The learning curve technique can be used to project time and/or cost associated with labor requirements.

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4. THE LEARNING CURVE EXAMPLE. The following example is used to illustrate the learning curve technique. A table, rather than equations, is used to facilitate the understanding of this technique. This example uses a learning rate of 80% and a time requirement of 60 minutes for the first unit. The data for this example is on page H-3. The table on page H-4 shows the learning rates for selected industries. A graph illustrating the decreasing cumulative average time as the quantity produced increases is shown on page H-5.

LEARNING CURVE EXAMPLE DATA

(1) UNITS PRODUCED	(2) CUMULATIVE AVERAGE TIME PER UNIT (PERCENT)	(3) NUMBER OF MINUTES PER UNIT (FIRST UNIT = 60 MINUTES)	(4) CUMULATIVE TOTAL TIME (COLUMN 1 x COLUMN 3)
1	100.00	60.00	96.00
2	80.00	48.00	96.00
4	64.00	38.40	153.60
8	51.20	30.72	245.76
16	40.96	24.80	393.28
32	32.77	19.66	629.12
64	26.21	15.73	1,006.72
128	20.97	12.58	1,610.24
256	16.78	10.07	2,577.92

NOTE: For each successive unit produced, the average time requirement per unit decreases at a decreasing rate.

- From 1-2 units, average time decreases by 12 minutes (60-48)
- From 128-256 units, average time decreased by .0196 minutes. (12,58-10.07)/128 - .0196.

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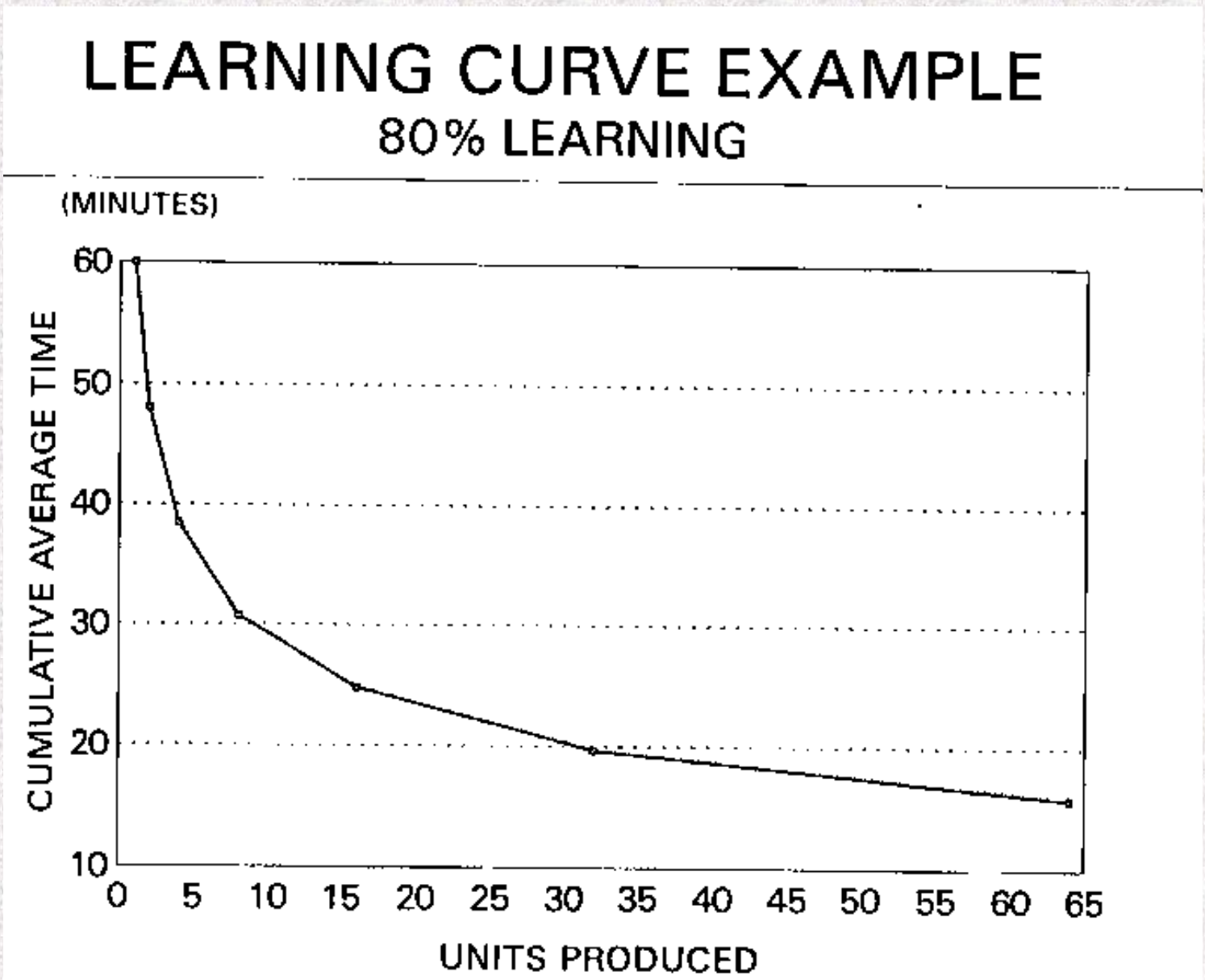
GENERALIZED INDUSTRY LEARNING CURVE SLOPE VALUES

INDUSTRY	SLOPE VALUE
AEROSPACE	85%
SHIPBUILDING	80% TO 85%
REPETITIVE ELECTRONICS MANUFACTURING	90% TO 95%
REPETITIVE CLERICAL OPERATIONS	75% TO 85%
REPETITIVE WELDING OPERATIONS	90%
CONSTRUCTION OPERATION	70% TO 90%



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ANNEX I

QUEUING MODELS

1. DESCRIPTION. Queuing models are quantitative techniques designed to minimize the costs associated with processes that have waiting lines (queues). Generally, the objective of a queuing model is to determine the optimum size of the facility providing the service where waiting lines form. The sum of waiting cost and service cost is the total expected cost of the queuing system. The foundation of queuing analysis is that as service costs increase, waiting costs decrease. Queuing models determine the ideal service level. Simply stated, queuing models are helpful in deciding a desirable service level that balances waiting line/service costs. Queuing theory generally provides answers to the following:

- Average time a customer or object spends waiting
- The average queue length
- The average time in systems (waiting time plus service time)
- The probability that service will be idle
- The probability of a specific number of customers in the system

2. WHEN TO USE. Queuing model are ideal tools to use when one is concerned with controlling costs associated with queues.

Queuing models have proven valuable in assessing the queuing situations listed below:

SITUATIONS	ARRIVALS IN QUEUE	SERVICE PROCESS
Commissary	Grocery shoppers	Checkout clerks at cash register
Doctor's office	Patients	Treatment by doctors and nurses
Airport	Airplanes	Takeoffs and landings on runways
Finance Office	Customers	Transactions handled by teller
Restaurant/Clubs	Diners	Waiters and cooks service patron
Machine Maintenance	Broken machines	Repairman fix machines
Port	Ships	Dockworkers load and unload

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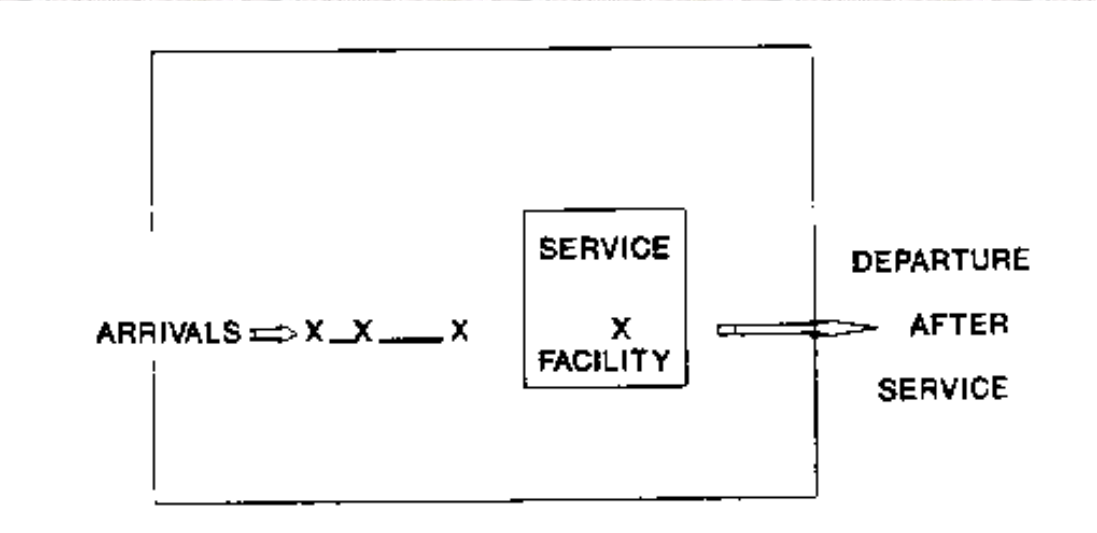
3. TECHNIQUES. Queuing systems can be designed to minimize cost or maximize profits. The two main categories of costs of concern are waiting costs (lost sales, irritated customers, idle workers) and service facility costs (physical facility and labor). Two principal variables that are key to the analysis of queuing systems are: (i) the rate at which customers are served. Rate is on a per-unit-of-time basis. Since, in most situations, the time of arrival and time of service cannot be precisely controlled, the arrival rate and service rate are random variables. In this regard, queuing analysis uses principles of statistics.

4. PRACTICAL EXAMPLE. The example included herein is a simple queuing system. Arrivals form a single line and are served by a single station on a first in first out basis. The illustration below displays a single channel queuing system. Queuing models are often complex and require computer simulation for solutions. The example here is kept simple for ease of understanding. The tabular data on page I-3 is shown also in graphic form on page I-4 to better illustrate the relationship between service cost and waiting cost. As service costs (number of servers) increase, waiting costs decline. The optimal number of servers is that point which minimizes total expected cost.

SINGLE-CHANNEL QUEUING SYSTEM



QUEUING MODEL EXAMPLE

NUMBER OF UNLOADING CREWS	1	2	3	4
Average Number Ships Arriving Per Day	5	5	5	5
Average Wait to be Unloaded	7 hours	4 hours	3 hours	2 hours
Estimated Cost of Ship Idle Time*	$35,000	$20,000	$15,000	$10,000
Unloading Crews Salary	7,000	14,000	21,000	28,000

TOTAL EXPECTED COST	**$42,000**	**$34,000****	**$36,000**	**$38,000**

*Ship Idle Cost = $5,000 Per Hour.
**Two Crews Would Minimize Total Expected Cost.

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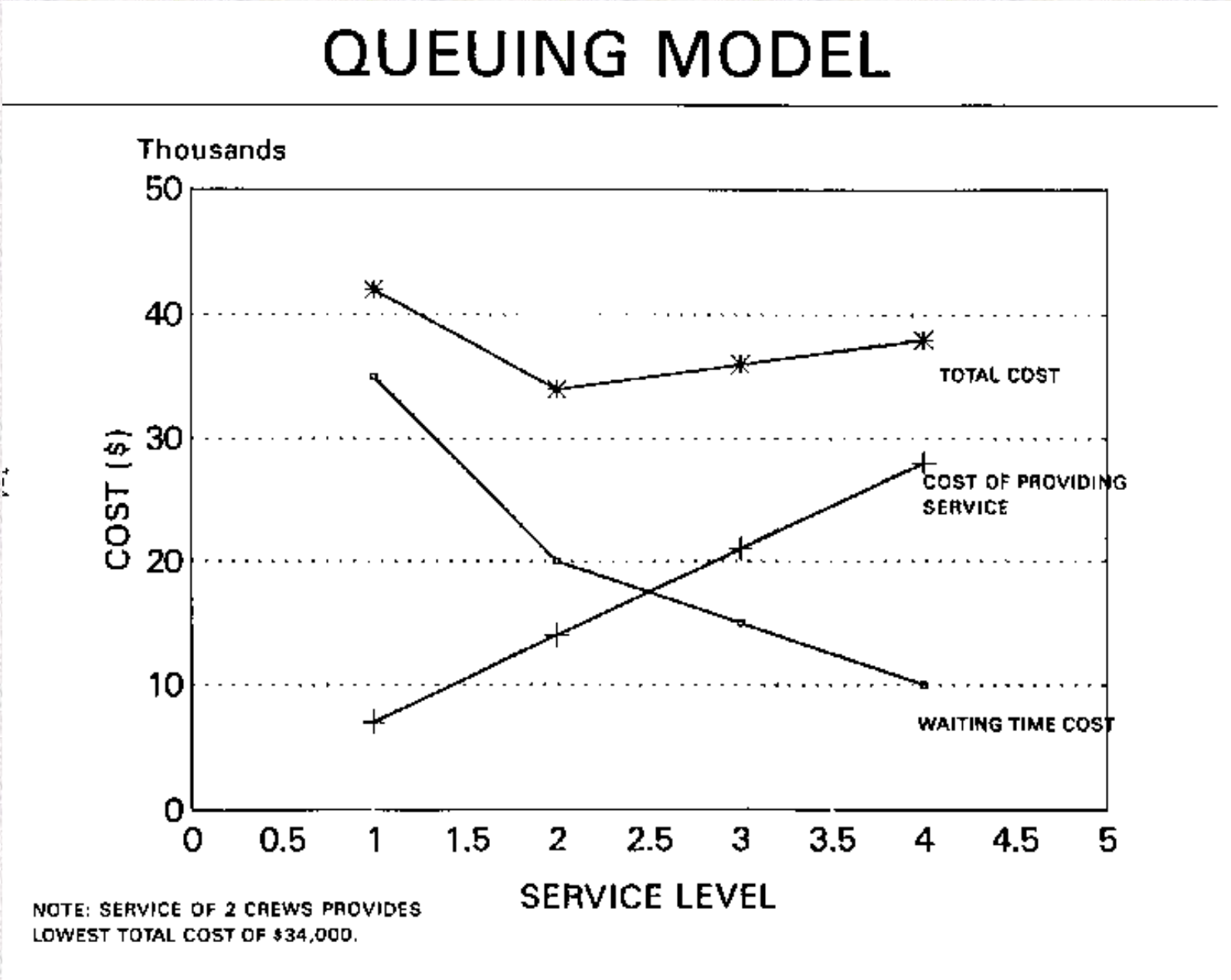

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APPENDIX J

STATISTICAL TECHNIQUES

1. DESCRIPTION. A number of statistical testing techniques and/or models are useful under proper circumstances in aiding the audit process. One such technique, regression analysis, is discussed in Appendix G. Statistical sampling, which is widely used in Agency audits, is discussed in USAAAR 36-100, dated 1 July 1993. This appendix focuses upon statistical techniques classified as

hypothesis testing (parametric tests and nonparametric testing).

a. Parametric Testing is a statistical test of hypothesis in which an inference is made about a population parameter (mean, standard deviation, etc. of a population) in comparison with a specific value. Simply put, we are asking the questions, "Does the parameter equal a specific value?" Parametric tests are generally considered more powerful statistical tools than nonparametric tests.

b. Nonparametric Tests are statistical procedures which do not use population parameters and do not consider hypothesis about population parameters. These types of tests generally are used when the variable of interest is on an ordinal scale (specified rank or order, e.g., first, second, third).

Some of the techniques used in hypothesis testing include:

- Analysis of variance
- Chi-Square
- Student t-tests
- Contingency tables
- Signed-rank test

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2. WHEN TO USE.

a. Parametric Testing is most useful when it is necessary to compare samples from two or more independent populations. Examples of applications follow:

- Test average lifetime of two different power sources
- Test effectiveness of several advertising methods for same product
- Test effectiveness of drugs, chemicals, etc.
- Test quality of a product produced by different sources

b. Nonparametric testing is generally useful when the audit objective includes testing the effect of one variable upon another. It generally tests to see if the attributes tested are independent (e.g., hair color and eye color). This testing procedure is also useful when there is a necessity to determine a rank order of several techniques or procedures. Samples of applications follow:

- Test impact of refrigeration/battery life
- Test education level on other variables.
- Test attitude/race, sex religion

3. TECHNIQUES. Hypotheses testing generally requires statistical software. Manual computations are lengthy and complex. The procedures for hypotheses testing consist of the following steps:

a. Formulate the null and alternative hypothesis. The null hypothesis states that the parameter of interest equals some specified number versus the alternative that it does not.

b. Decide upon the risk of a type 1 error (denoted alpha error). Alpha specifies the risk of rejecting a correct hypothesis. For example, if the confidence level were set at .95, alpha would be .05. In essence, alpha equals one minus the confidence level.

c. Select a random sample and compute (use statistical software) a test value from the sample data.

d. Compare the test value computed in step c above with table values (available in most statistics test books) for the specific technique used and specified number of sampling observations.

e. Make decision. Reject the null hypothesis when the test value (step c) is in the critical region (area of rejection). The size of the critical region depends upon the value of alpha (type 1 error) that is chosen.

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4. PRACTICAL EXAMPLE. Suppose it is desirable to know whether there is any significant difference between educational achievement and attitude on the military service of adult males between 20 and 30 years old. Suppose education is classified on the

basis of college graduate and non-college graduate; suppose further that attitude on military service is classified on the basis of viewing a military career as favorable or unfavorable. There is now information for a two-way classification. The test is to determine if educational achievement and attitude on military service are independent; the null hypothesis (situation in which there is deemed to be no difference) would state that there is no difference between education and attitude toward military service. In this example, 89 sample values are selected from the population and the Chi-Square technique is employed to test difference in frequencies. The data is listed on page J-4, the sequence of steps begin on page J-4, and the results are shown in step **e** on page J-5.

SAMPLE DATA

ATTITUDE ON MILITARY CAREER

EDUCATION	FAVORABLE	UNFAVORABLE	TOTAL
College	13	24	37
Noncollege	28	24	52
TOTAL	41	48	89

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STEPS

a. Formulate the null (designated H_0) and alternative hypothesis (designated H_1).

- H_0 : Education and attitude on military careers are independent.
- H_1: Education and attitude on military careers are not independent.

b. Decide upon the risk of a type 1 error (denoted alpha). Alpha specifies the risk of rejecting a correct hypotheses.
Example: Let alpha = .05

c. Compute (use computer program) the Chi-square value for the sample data. In this example, the value will be 2.98.

d. Look up the critical value in Chi-square table (statistics textbook) for alpha = .05 and the number of degrees of freedom (1) in this example. The table value is 3.841.

Degrees of Freedom Calculation:
(Nr of rows -1) X (Nr of columns -1)
(2-1) X (2-1) = 1

e. Make decision. The critical region for Chi-square always consists of values greater than the Chi-square value from the table. In this instance, the critical region consists of values greater than 3.841.

Accept: H if Chi-square value (2.98) is less than 3.841 (Chi-square value from table).

Reject: H if Chi-square value computer (2.98) is greater than 3.841 (Chi square value from the table).

Conclusion:

Since 2.98 is less than 3.841, accept the null hypothesis.
Education is independent from attitude on military careers.

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USAAAR 36-103

DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA Regulation **11 September 1989**

No. 36-103

Audit

TECHNICAL EXPERTS

1. PURPOSE. This regulation provides information and guidance concerning uses of technical experts (as members of the audit team) during the conduct of audits in accordance with Generally Accepted Government Auditing Standards and Department of Defense Internal Auditing Standards.

2. APPLICABILITY. The provisions of this regulation shall be followed during all audits performed by the U.S. Army Audit Agency when applicable.

3. DEFINITION. A technical expert has skills and knowledges normally not expected of an Agency auditor. Types of technical experts who may assist in Agency audits include computer specialists, attorneys, operations research analysts, civil engineers, maintenance technicians, medical professionals and weapons technicians. (See Appendix A for a more complete list.)

4. POLICY. The Agency is responsible for ensuring that audits are conducted by personnel in a professional manner who have the necessary skills to perform the audit to which they are assigned. This applies to the knowledge and skills of the audit team as a whole and not necessarily to each assigned auditor. In those situations where technical skills are possessed by auditors are required in the conduct of an audit, assistance shall be obtained from other professional personnel employed by the Agency or from external sources. Here are examples of skills appropriate for the audit work being conducted:

a. If the audit requires the use of statistical sampling, and the team has the requisite skills, it may develop and execute the sample. The Headquarters operations research analyst should be requested to provide assistance to the audit team in those instances where no individual possessing skills needed to perform statistical sampling techniques is assigned to the audit.

b. If the work requires extensive review of computerized systems, the team should include persons with computer audit skills or the assistance should be obtained from the regional or Headquarters computer specialists.

c. If the work involves review of complex engineering data, assistance should be obtained from a qualified engineer at an Army activity or other government organization. At times, it may be necessary to obtain these

services from a commercial source.

d. If the work requires an evaluation of position management and classification, assistance should be obtained from a qualified personnel management specialist. These specialists are available from the Civilian Personnel Evaluation Agency or from civilian personnel offices that have qualified advisors who can judge position management and classification actions that govern civilian pay and incentive awards or payouts under gain-sharing payroll and productivity plans.

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5. PROCEDURES

a. Audit Survey. Decisions to obtain assistance from individuals having technical expertise should normally be made during the survey phase of an audit. It is also appropriate to identify the need for a technical expert during audit research.

(1) Level II supervisors are responsible for obtaining technical experts for an audit. This includes determining the professional qualifications and reputation of the expert by inquiry or other procedures as appropriate. The supervisor should consider the professional certification, license or other recognition of the competence of the expert and the relationship, if any, of the expert to the activity being audited.

(2) Ordinarily, an attempt should be made to obtain an expert who does not have a relationship with the audited activity. This provides greater assurance that the expert will perform in an objective manner.

b. Audit Execution. Technical assistance is available from Agency and external technical experts. Requests for assistance and relationships with Agency experts is usually informal. However, formal control is needed over external technical experts while they are providing assistance (acting as members of the audit team) to the Agency. There must be an agreement of what, specifically, the expert shall do; how the expert shall communicate the review results to the audit staff; with whom on the audit staff the expert shall deal; and to whom the expert shall report. These aspects normally should be formulated in writing before engaging external expert.

(1) An understanding should exist between the Level 11 supervisor and the expert as to the nature of the work to be performed by the expert. Preferably, the understanding should be documented and should cover the following:

- The objectives and scope of the expert's work.
- The expert's representations regarding their relationship, if

any, to the activity being audited.

- The methods or assumptions to be used by the expert in carrying out the assignment.
- The expert's understanding of the auditor's corroborative use of the expert's finding.
- The form and content of the expert's report that would enable the auditor to form a conclusion.

The activity being audited should be informed of the arrangement entered into between the auditor and the expert prior to commencement of the work to be performed by the expert.

(2) Level Il supervisors are responsible for ensuring that staff who are involved in accomplishing the objectives of the audit receive appropriate guidance and supervision to ensure that the audit work is properly conducted, the audit objectives are accomplished, and staff are provided effective on-the-job training. Accordingly, technical experts also should be given appropriate guidance.

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c. Audit Reporting

(1) There is no requirement to refer to the work or findings of a technical expert in audit reports. Moreover, in financial audits, when expressing an unqualified opinion in financial statements, auditors should not refer to the work or findings of technical experts. According to the codification of statements on auditing standards issued by the American Institute of Certified Public Accountants, "Such a reference in an unqualified opinion might be misunderstood to be a qualification of the auditor's opinion or a division of responsibility, neither of which is intended."

(2) Auditing standards issued by the Comptroller General address the need for audit reports to contain information concerning compliance with standards. Specifically:

"The statement of conformity refers to the applicable standards that the auditors should have followed during the audit. The statement need not be qualified when standards that were not applicable were not followed. When applicable standards were not followed, the auditors should modify the statement to disclose in the scope section of their report the required standard that was not followed, the reasons therefore, and the known effect not following the standard had on the results of the audit."

(3) Department of Defense Internal Auditing Standards

specifically state the "Readers of audit reports must be able to assume that properly qualified people, including technical experts when appropriate, are used to accomplish audits. If a primary audit objective cannot be accomplished without relying on technical experts, and an expert is not used, then the audit report shall be qualified to explain why the applicable DOD internal auditing standard was not followed." Moreover, it is this Agency's policy that where the auditors did not obtain technical advice from an expert, but should have, this must be disclosed in the scope section of the audit report.

(4) Level II supervisors are responsible for reporting the use of technical experts on USAAA Form 103. This form is required to be furnished to Headquarters as part of the data package at the conclusion of each audit. A "Technical Expert" who is an employee of the Agency should not be reported on this form.

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6. SOURCES OF TECHNICAL EXPERTS. Technical experts may be obtained from the Agency or external sources. Some sources are listed in Appendix B.

a. Agency Technical Experts. Much assistance is readily available from Agency technical experts. Professional fields in which assistance is available include operations research, statistics, law, and automation. Requests for assistance from Agency technical experts may be verbal or written. The form of communication will be governed by the complexity of the assistance required.

b. U.S. Army Technical Experts. Technical experts are available with the U.S. Army. The Level Il supervisor is responsible for ensuring that the expert selected is in a position to provide independent and unbiased assistance. Generally, auditors should not obtain technical experts from the activity being audited. Rather, assistance should be obtained from activities at other locations or levels of command.

c. Other Government Technical Experts. Technical experts may be available from other government organizations. Initial contact may be verbal. If the information obtained from those experts will be used to support an audit conclusion, it is the auditor's responsibility to obtain sufficient documentation to substantiate the results of the expert's reviews.

d. Contracting for Technical Expert Services.

(1) Regional Auditors General and Headquarters Directors have the authority to approve the need to contract for a technical expert. This decision shall be made in consultation with the Analytical and computer Support Division.

(2) Requests to fund a contract for technical expert services shall be made to the Director, Audit Policy, Plans and Resources. These requests should include the nature of the services expected, estimated costs, and the time period that services will be required.

(3) When requested funding is made available, regions shall take action to contract for the services of technical experts. In the Headquarters, the Resource Management Division shall take action to contract for required services when requested by a director.

FOR THE AUDITOR GENERAL:

s/Thomas Druzgal
THOMAS DRUZGAL
Director, Audit Policy,
Plans and Resources

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APPENDIX A

EXAMPLES OF TECHNICAL EXPERTS

Attorney

Economist

Computer Programmer/ Computer Programmer Analyst

Social Science Analyst

Management Analyst

Writer/Editor

Operations Research Analyst

Psychologist

Technical Information Specialist

Program Analyst

Statistician

Actuary

Civil Engineer

Electronics Engineer

Physical Scientist

Logistics Management Specialist

Geologist

Environmental Protection Specialist

Intelligence Specialist

Historian

Archeologist

Ecologist

Medical Officer

General Engineer

Architect

Mechanical Engineer

Industrial Engineer

Technical Writer

Financial Analyst

Physicist

Personnel Management Specialist

Hydrologist

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APPENDIX B

GUIDES TO TECHNICAL EXPERTS

1. Directory of Federal Laboratory and Technical Resources. A Guide to Services, Facilities, and Expertise, U.S. Department of Commerce, National Technical Information Service, Center for the Utilization of Federal Technology

2. Directory of Business, Trade, and Public Organizations, U.S. Small Business Administration, Office of Advocacy

3. National Trade and Professional Associations of the United States, Columbia Books, Inc.

4. Encyclopedia of Associations, Gale Research Company

5. Department of Defense Telephone Directory

6. Experts available within the U.S. Army Audit Agency
   - Statistics - USAAA Programs and Audit Support
   - Legal - Office of Counsel, HQ, USAAA
   - Automation - computer specialists at regional offices and the HQ, USAAA Programs and Audit Support

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DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY AUDIT AGENCY
ALEXANDRIA, VA 22302-1596

USAAA REGULATION 37-1 **25 AUGUST 1992**

Financial Administration

REIMBURSEMENT FOR AUDITS PERFORMED ON BEHALF OF GOVERNMENT AGENCIES OTHER THAN THE DEPARTMENT OF DEFENSE

Purpose

References

Applicability

Policy

Responsibilities

Procedures

Billing Procedures

1. PURPOSE. To establish the policy and general procedures to be used in obtaining reimbursement from Government departments and agencies outside the Department of Defense (DOD) for audit services provided by the USAAA.

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2. REFERENCES.

(a) AR 37-1, Chapter 12, Orders, Earnings, and Billings.

(b) AR 37-106, Finance and Accounting for Installations: Travel and Transportation Allowances.

3. APPLICABILITY. The provisions of this regulation apply to requests for audit service or the detail of Agency personnel to other than Department of Defense organizations, agencies, and activities, which is to be provided on a reimbursable basis.

4. POLICY. It is the policy of the U.S. Army Audit Agency to accept requests for audit services from government agencies other than Department of Defense on a reimbursable basis when it is in the public interest and will not disrupt performance of the Agency's primary audit responsibilities.

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5. RESPONSIBILITIES.

(a) All agency elements are responsible for promptly notifying Headquarters of any requests

made by a non-DOD organization for audit services or loan of auditor personnel.

(b) The Associate Director, Resource Management Division, will monitor all requests made, obtain the necessary approvals, and coordinate as necessary.

(1) The Associate Director, Policy and Programs Division, is responsible for advising the Agency region or directorate that will perform the audit service or provide personnel for the detail, and maintaining the appropriate records on such requests.

(2) The Budget Branch, Resource Management Division, is responsible for compiling the necessary information and data to support the reimbursement billing upon completion of the audit service.

(c) The Agency element performing the audit service is responsible for maintaining adequate records pertaining to the assignment, and preparing and presenting the audit results to the requester.

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6. PROCEDURES.

(a) Upon receipt of a request from a non-DOD activity for audit service or the load of auditor personnel, all available information will be provided to the Associate Director, Resource Management Division (SAAG-PRM).

(b) Upon a determination that the requested service will be provided, The Associate Director, Policy and Programs Division will coordinate and notify the region or directorate which is to provide the service or detail auditor personnel.

(c) The performing Agency element will promptly prepare the necessary programming documents and notify the requester that the service will be provided, giving the estimated time period in which the service will be provided, and if requested, the estimated costs.

(d) At the completion of the requested audit or termination of the detail of loaned personnel, the performing region or directorate will ensure that all appropriate time charges are recorded and reported in order that an accurate reimbursement billing can be prepared.

(e) Copies of all approved requests and other correspondence will be furnished to the Budget Branch in Headquarters (SAAG-PRM-B).

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7. BILLING PROCEDURES. Reimbursement billings for auditing services performed will be accomplished in accordance with AR 37-1 and will be prepared by the Budget Branch. The billings will be comprised of the following:

(a) **Labor.** Direct audit time expended in the performance of the auditing service and preparation of the report, including appropriate overhead rates, will be charged. The labor cost computation will be made using a standard billing rate obtained from the Budget Branch.

(b) **Travel.** Transportation and per diem expenses will be billed for those expenses incurred solely in connection with the requested audit services. Local travel costs will not be charged.

FOR THE AUDITOR GENERAL:

JAMES A. NIRSCHL
Associate Director
Resource Management

THE PROPONENT OF THIS REGULATION IS THE ASSOCIATE DIRECTOR, RESOURCE MANAGEMENT DIVISION. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PRM, 3101 PARK CENTER DRIVE, ALEXANDRIA, VA 22302-1596

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DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY AUDIT AGENCY
ALEXANDRIA, VA 22302-1596

USAAA REGULATION 380-1 **30 June l993**

SAFEGUARDING INFORMATION AND AUTOMATION RESOURCES

Purpose

Applicability

References

Policy

Responsibilities

Physical Security of the Minicomputer

Environmental Security of the Minicomputer

Personnel Security

Communications Security

Procedural Security

Controlling Personal Computers and Commercial Software

Securing Portable Computers

Accrediting Computers

1. PURPOSE. This regulation provides policies and procedures for Agency personnel when using computers. The Agency developed these procedures--based on a risk analysis--to minimize risks to Agency hardware, software, and automated information. Implementing these procedures will give the Agency an acceptable level of risk without seriously degrading operating efficiency.

2. APPLICABILITY. These procedures apply to all Agency employees who use computers--both Agency owned and privately owned--for official duties.

3. REFERENCES

(a) AR 190-13, The Army Physical Security Program, 20 June l985.

(b) AR 380-19, Information Systems Security, 1 August l990.

4. POLICY. The policies and procedures in this regulation are needed to: protect highly sensitive defense information, protect Agency owned automation hardware and software, and prevent the misuse of commercial software. The term "highly sensitive" includes For Official Use Only, Privacy Act, contractual procurement, financial, and operations security sensitive data.

(a) Information processed on any computer while performing official duties is considered highly sensitive and must be safeguarded. YOU CAN NOT PROCESS CLASSIFIED DATA ON ANY COMPUTER WITHOUT THE WRITTEN ACCREDITATION APPROVAL OF THE ASSOCIATE DIRECTOR FOR AUTOMATION AND AUDIT SUPPORT. The Agency has approved selected

computers to process classified data. ANY USER WHO INTENTIONALLY ATTEMPTS TO COMPROMISE, DEGRADE OR DEFEAT A SECURITY CONTROL WILL BE GUILTY OF A SECURITY VIOLATION WHETHER THE ATTEMPT IS SUCCESSFUL OR NOT.

(b) Employees can use only authorized software on Agency owned computers. ANY EMPLOYEE USING UNAUTHORIZED SOFTWARE OR MAKING UNAUTHORIZED COPIES OF AGENCY-OWNED COMMERCIAL SOFTWARE WILL BE HELD PERSONALLY RESPONSIBLE. Employees making unauthorized copies of commercial software are subject to criminal penalties and/or disciplinary action.

5. **RESPONSIBILITIES**

(a) Activity Chiefs and Regional Auditors General are responsible for making sure their employees implement the procedures this regulation prescribes. They are also responsible for accrediting all privately owned computers their employees use to perform official duties.

(b) The Headquarters and regional Information System Security Officers (ISSO) are responsible for automation security and will:

- Perform the duties identified in paragraph 1-6d, AR 380-19.

- Functioning as the point of contact for all aspects of automation security for The Auditor General.

(c) Terminal Area Security Officers (TASOs) are responsible for implementing continuous physical security controls over terminals and computers. Each TASO is responsible for maintaining a copy of this regulation on file, and for making sure users within their area have read and have access to this regulation. The TASO is responsible for notifying the ISSO of all security violations that take place.

(d) Employees are responsible for: (i) following the procedures in this regulation, (ii) using USAAA automation resources for government work only, and (iii) reporting security violations to the TASO, ISSO, or respective Activity Chief.

6. PHYSICAL SECURITY OF THE MINICOMPUTER

(a) Restricted Areas. Rooms containing the Unisys minicomputer are designated as restricted areas in accordance with paragraph 6-3, AR 190-13. The purpose of this restriction is to protect the equipment from persons not needing physical access to the equipment.

(1) Warning Signs. Signs designating the restricted area will be posted as AR 190-13 requires.

(2) Visitor Control Log. Activities will maintain a log of all visitors--including maintenance personnel entering restricted areas. At a minimum, the log will show the date, visitor's name, organization, time entered, and time exited.

(3) Peripheral Devices. Computer equipment requiring constant access, such as user terminals and printers, will not be located in restricted areas.

(b) Controlling Access. The TASO will control combinations or key door locks to rooms containing automation equipment. At a minimum, the TASO will:

- Change combination quarterly.

- Issue combinations to only authorized persons.

- Control key distribution to only authorized persons.

7. ENVIRONMENTAL SECURITY OF THE MINICOMPUTER

(a) Fire Drills and Training. Management will make sure personnel are familiar with fire emergency procedures and equipment.

(b) Smoking, Eating, and Drinking. Smoking, eating, and drinking are prohibited in the area containing the minicomputer. This measure is needed to prevent contamination of electronic equipment.

(c) Good Housekeeping. Employees will keep areas containing automation equipment free of trash and clutter. This will help reduce the possibility of fire.

(d) Supplies in ADP Areas. Keep supplies stored in ADP areas to a 1- or 2-day level to reduce the risk of fire.

8. PERSONNEL SECURITY. Because the Agency has a personnel surety and security program, additional policies in this area aren't required. Access to files should be granted only to persons with a valid need to know the information.

9. COMMUNICATIONS SECURITY

(a) Defense Data Network. Where possible, the Agency will transmit all data between and within Headquarters, regions, field offices, and audit sites through the Defense Data Network (DDN). Audit sites will transmit through the DDN node of the local installation.

(b) Encryption. The requirement to encrypt transmissions of nonclassified data has been waived.

(c) Classified Data. Agency personnel will not transmit classified data.

10. PROCEDURAL SECURITY

(a) Management Considerations.

(1) Delineation of Responsibilities. Activity chiefs and Regional Auditors General must specify in writing all duties, responsibilities, privileges, and specific limitations of all personnel involved in automation.

(2) Security Training. Automation security training will be presented on assumption of duties, refreshed annually, and tailored to individual responsibilities.

(3) Closed Shop Operations. The room containing the Unisys minicomputer will be operated as a closed shop. Access will be allowed on the basis of established need.

(4) Organizational Placement of the ISSO. The Information Systems Security Officer (ISSO) must report directly to the accreditation authority on security related matters. The ISSO will not report to any person responsible for operations and should not have a vested interest in keeping the system operational after the discovery of a possible security violation.

(b) Selecting Passwords. The following procedures apply to selecting user passwords on the minicomputer.

- Users can select their own passwords.

- Passwords will consist of at least 6 alpha/numeric characters.

- Users should change passwords at least once a month.

- User should not use names, SSNs, birthdates, common words, or any other personal characteristics as passwords.

- The systems administrator will create one-time-use passwords for a user needing a one time access to a file.

(c) Establishing Read/Write Permissions. The system administrator will set read, write, and execute permissions at the group level. Users will set these permissions at the individual level. The permissions are needed to make sure access is granted only to persons with a need to know and to protect the files from unauthorized changes.

(d) Maintaining Magnetic Media.

(1) Labeling. Clearly label all magnetic media showing its classification, creation date, and general contents.

(2) Library Log. Keep a log of all media containing classified information. Logs will show media type, unique control number, classification level, and destruction date.

(e) Designing Software. The following procedures will be followed for applications programs the Agency develops.

(1) Programmer Teams. Teams of programmers will develop all Agency standard applications. Having more than one programmer develop an application will prevent knowledge about the application from being lost if a programmer leaves. Programmer teams offer increased design integrity and standardization.

(2) Modular Program Design. The Agency will use modular programming. Each module will be separately tested before being integrated with other modules under development. Also, to help security control, each module will have different access permissions.

(3) Structured Programming. The Agency will use structured programming and top down design. These procedures will provide an unidirectional design approach.

(4) Verification of Changes. Both management and users will verify all changes to applications software. Programmers will not be given access to "live" applications. Changes will be made to copies of applications and verified prior to becoming operational.

(5) Documentation. Application proponents will prepare and update users manuals. Programmers will prepare design and maintenance manuals. Design and maintenance documentation will be safeguarded from user access. Copies of all documentation will be stored at a location separate from the automation equipment to minimize loss in the event of a disaster.

(a) Users Manual. The users manual should provide users with detailed instructions for: (i) using the application, (ii) entering the data, and (iii) generating reports.

(b) Design and Maintenance Manual. This manual should contain details of the application's design and subsequent changes. It should contain system and program flowcharts, input and output layouts, initial operational source

code, all changes to source code with required approvals, and descriptions of each change. Documentation revealing the logic, methodology, or procedural aspects of application operations should be safeguarded from persons not having a need for the information.

(6) Program Tests. All applications will be thoroughly tested before becoming operational to make sure the application performs as intended.

(7) Input Edit Checks. All applications will have input edit check, built-in to the program to minimize the effects of errors and intentional entry of bad data. Edit checks will be consistent with Army and Agency internal control policies.

(f) Continuity of Operations Plan. The Agency has developed a continuity of operations plan for the office automation system. Activities must implement the plan to lessen adverse effects of potential emergency situations.

11. CONTROLLING PERSONAL COMPUTERS AND COMMERCIAL SOFTWARE.

(a) Using the Personal Computer Menuing System. All Agency personal computers will use the AAA Personal Computer Menuing System. The menuing system provides a password controlled access to the computer, and a uniform means of using Agency-owned software. The Automation and Audit Support Division (SAAG-PRA) will maintain this software and make it available to all Agency employees using personal computers.

(b) Protecting Against Computer Viruses. A Computer Virus is a program designed to spread on its own without users knowing it exists. Some computer viruses are a harmless nuisance, while others destroy your software and data. A computer can catch a virus from anywhere it gets data. The two most common sources of viruses are: (i) software copied onto the hard drive from a floppy disk, and (ii) from bulletin board services. To reduce the risk of viruses, only Agency standard software will be used on Agency equipment. To minimize the effect of a computer virus, all employees must continually back up their data.

(c) Controlling Commercial Software. To do its mission, the Agency buys and uses commercial software. When the Agency buys commercial software, it buys individual copies or licenses to make and use a set quantity of programs. Making unauthorized copies of the software violates Federal copyright laws. Violating copyright laws puts both the Agency and individual employee at risk. According to 17 U.S.C. section 504(a), individuals who violate copyright laws are liable for either:

- Actual damages plus any additional profits the contractor may have lost because of the violation.

- Statutory damages. (Current damages range from $250 to $10,000.)

In addition to these penalties, Congress recently passed 18 U.S.C. section 893. This bill makes a felony of illegally copying computer software for private or commercial gain. Penalties for the crime are imprisonment up to 5 years, or fines up to $250,000 or both.

Agency employees who violate copyright are subject to both criminal penalty and disciplinary action contained in Civilian Personnel Manual 690-700. The penalty depends on the severity of the violation and the employees past conduct. Examples of penalties Agency management can impose on employees range from formal counseling, to suspension, to dismissal. To reduce the risk associated with violating copyright laws, the Agency has established these requirements.

(1) The Headquarters and regions must account for the number of authorized copies of

commercial software they have. Activities must keep records that show:

- The name of the software (for example WordPerfect).

- Quantity and date software was bought or received.

- Total quantity on-hand for each software program.

(2) The Headquarters and regions must maintain a log by serial numbered computer of the commercial software authorized for each computer. At a minimum, the log should:

- List all computers--desktop and laptop/notebook--by make and serial number.

- Record the authorized commercial software on each computer.

- Record the date the software on the computer was last inventoried.

- Once the software on the computer is inventoried, activities must periodically review the computers to make sure they have only authorized software. Activities must delete any unauthorized software and inform the user of the penalties associated with violating copyright laws.

12. SECURING PORTABLE COMPUTERS. Because auditors travel with portable computers and used them at a variety of locations, they are exposed to many threats not applicable to desktop computers. To help prevent damage to portable computers and protect the data on the computer, employees should follow these procedures.

(a) Protecting Hard Disks. To prevent damage to hard disks while transporting computers, employees must use the SHIP or PARK command. (Note: Some computers automatically place the disk in SHIP or PARK when you shut them off.)

(b) Flying with Portable Computers.

(1) Airport X-Rays. Although labeled as not harmful to computers and magnetic media, published tests have shown that repeated exposure to airport X-rays will erase data. **Do not allow magnetic media to be X-rayed.** Because the portable computers contain hard disks, you should request they be hand inspected. If airport security personnel refuse to hand inspect computers, make sure you properly back up disks prior to the computer being X-rayed.

(2) Airport Metal Detectors. **Do not let magnetic media get near airport metal detectors.** Metal detectors are more harmful to magnetic media than X-rays. The metal detectors use a magnetic field to detect metal objects and will erase magnetic media.

(3) Carry on Aircraft. When flying, treat your portable computers as carry-on baggage. Don't check portable computers as baggage.

(c) Driving with Computers.

(1) Overnight Storage. Because computers are very sensitive to temperature extremes, don't store them in cars. If stopping enroute to/from audit sites, secure computers overnight in hotel rooms.

(2) Stopping for Meals. Don't leave computers in full view in passenger compartments of cars when stopping for meals or gas. Secure computers in the trunk or hide them with other items if the car doesn't have a trunk.

(d) Securing at TDY Site. Secure portable computers in locked rooms at TDY sites. If adequate security is not available at the TDY site, take the computers back to your hotel rooms. Use common sense to make sure you store computers with the highest security available.

(e) Using Hand Receipts. The Agency will use hand receipts to issue portable computers to Agency personnel. Employees will be briefed about their accountability and personal liability for the computers.

13. **ACCREDITING COMPUTERS.** The Agency will accredit all computer systems to process highly sensitive information. The Regional Auditors General and the Associate Director, Automation and Audit Support are the Agency's accrediting authorities.

(a) Unisys Minicomputer. Activities will accredit the office automation system every 3 years. The Information System Security Officer will review corrective actions for identified risks on an annual basis.

(b) Portable Computers. Activities will accredit portable computers every three years as a specific class of computers. A separate accreditation of each portable computer is not required.

(c) Privately Owned Computers. Activities will accredit privately owned computers used for official duties annually.

A signed memorandum of understanding between the Activity Chief/Regional Auditor General and the employee will be maintained to document the accreditation.

FOR THE AUDITOR GENERAL:

JARED E. WISOR
Associate Director
Automation and Audit
Support Division

THE PROPONENT OF THIS PAMPHLET IS THE AUTOMATION AND AUDIT SUPPORT DIVISION. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PRA.

DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA REGULATION 380-5 **10 January 1991**

Physical Security

BUILDING AND PHYSICAL SECURITY FOR HEADQUARTERS, USAAA

Purpose

Applicability

Physical Security

Crime Prevention

Counterintelligence

References

Responsibilities

Building Passes

Property Passes

Key Control

Access Card Control

Close of Business Check

Unfamiliar Persons

Fire/Emergency Evacuations

Top

1. PURPOSE. This regulation prescribes minimum security standards necessary to protect government property located within U.S. Army Audit Agency (USAAA) elements in the Park Center Office Building. The regulation also provides guidance to all military and civilian personnel on the protection of personal property against potential criminal acts perpetrated within the Park Center Office Building.

2. APPLICABILITY. This regulation applies to all USAAA employees located in the Park Center Office Building. Protection of Government property requires each directorate/office to perform two primary functions: (i) accountability and (ii) physical security. This requires awareness and vigilance on the part of all employees and active physical security supervision by management.

3. DEFINITIONS. For the purpose of this regulation, the following terms are defined:

(a) Physical Security. That phase of Agency management within the Park Center Office Building which deals with prevention and, where necessary, control of access, theft, malicious destruction, misappropriation, civil disturbance, civil defense, fire, bomb threats, and natural, or man-made disasters. As such, physical security is an important part of the Army Crime Prevention Program.

(b) Crime Prevention. The application of measures necessary to minimize or eliminate the opportunity or desire to commit or engage in criminal activities.

(c) Pilferage. The word "pilferage" implies the act of stealing, theft, or larceny of any item of material.

(d) Counterintelligence. Those aspects of security necessary to protect Army Staff elements, activities, and personnel against espionage, sabotage, subversion, and unauthorized disclosure of or access to classified information.

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4. REFERENCES

- AR 190-13 - The Army Physical Security Program.

- AR 190-31 - Department of the Army Crime Prevention Program

5. RESPONSIBILITIES

Headquarters Support Services Supervisor. The Headquarters Support Services Supervisor is designated as the Headquarters, USAAA Physical Security Officer, Crime Prevention Officer, and Key Control Officer. The Support Services Supervisor will follow guidance and direction provided by the Office of the Secretary of the Army Security Manager. The Headquarters Support Services Supervisor is responsible for planning, coordinating, and publishing necessary physical security and crime prevention instructions and guidance within the Agency.

Headquarters Activity Chief. Each Headquarters Activity Chief is responsible for ensuring that personnel under their supervision are aware of and comply with the physical security/crime prevention procedures set forth in this regulation.

Employee. Each employee assigned to Headquarters is responsible for properly safeguarding all government property assigned to them, safeguarding personal property in their care, and promptly reporting any possible criminal act to their immediate supervisor. The immediate supervisor will then report the problem to the Headquarters Support Services Supervisor.

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6. PROCEDURES

Building Passes. DOD building passes will be issued by the Headquarters Support Services Supervisor in accordance with prescribed standards. Each employee will be responsible for safeguarding their pass and report in writing the loss of a pass immediately to the Headquarters Support Services Supervisor. Upon termination of employment with Headquarters, each employee is responsible for processing out with the Headquarters Support Service Supervisor. Employees leaving Headquarters will be required to turn in

their building pass to the Headquarters Support Services Supervisor.

Property Passes. The authorized removal of government property not covered by a bill of lading or invoice will be accomplished by means of a Property Pass (GSA Optional Form 7). The pass must be signed by the Headquarters Support Services Supervisor, or other authorized individual.

Key Control. Each office will maintain a key control register in order to account for each perimeter office key on hand or issued. Keys will not be duplicated. Upon termination of employment in Headquarters or reassignment to another directorate/ office within the Agency, each employee is responsible for turning in their key to their immediate supervisor and promptly reporting the loss of any key in writing to the Headquarters Support Services Supervisor. Keys lost through carelessness or neglect may result in disciplinary action and/or corrective action designed to maintain the integrity of the key lock system.

Access Card Control. Access cards will be issued to all GM-15's and above. Promptly report in writing the loss of an access card to the Agency Physical Security/Crime Prevention Officer. Upon termination of employment in Headquarters or reassignment to another region within the Agency, the access card will be turned into the Headquarters Support Services Supervisor.

Close-of Business Check. Each employee will secure their work area at the close-of-business. All pilferable government and personal items will be secured in a locked container. The last employee to leave the office should ensure that the end-of-day activity checklist has been completed and lock suite doors.

Loss of Property. All losses of government and personal property will be reported to the Physical Security Officer, who will then notify the appropriate agencies. In addition for government property, a Report of Survey (DA Form 4697) will be completed by the losing office and submitted to the Headquarters Support Services Supervisor.

Unfamiliar Persons. Each employee should challenge any unfamiliar persons in their office areas. If the unfamiliar person is a trader or solicitor, they should inform them that they are on government property and should leave. Do not attempt to obstruct the departure of the individual from the building.

Fire/Emergency Evacuation. During an emergency, consideration of occupant health and safety is paramount. Each individual should follow directions of the fire marshals or the floor monitors. The Alexandria Fire Department controls the Park Center Office Building during an emergency.

FOR THE AUDITOR GENERAL:

THOMAS DRUZGAL
Director, Audit Policy,
Plans and Resources

THE PROPONENT OF THIS REGULATION IS THE DIRECTOR, AUDIT POLICY, PLANS AND RESOURCES. USERS ARE INVITED TO SEND COMMENTS OR SUGGESTIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PRM-E, U.S. ARMY AUDIT AGENCY, 3101 PARK CENTER DRIVE, ALEXANDRIA, VIRGINIA 22302-1596

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DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA Regulation 600-21 **28 October 1999**

Training
TRAINING AND PROFESSIONAL DEVELOPMENT

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ON-THE-JOB TRAINER'S GUIDE

This regulation supersedes USAAAR 600-21 dated 13 September 1990.

THE PROPONENT FOR THIS REGULATION IS THE OF POLICY AND OPERATIONS MANAGEMENT DIRECTORATE. USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PMP-T.

PURPOSE AND APPLICABILITY: The purpose of this regulation is to provide guidance on planning, executing, recording, and reporting on training. Guidance contained in this regulation is applicable to all technical, professional, and managerial training programs taken by Agency employees.

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CHAPTER 1

GENERAL

1. Purpose. This regulation prescribes the policies, responsibilities, and procedures for the U.S. Army Audit Agency's training and professional development programs.

2. Scope. Policies and procedures established by this regulation apply to all Agency personnel and cover all training obtained through Agency, DOD, other Federal Government, and non-government activities.

3. Background. Training is the process of establishing a program of instruction in a subject directly related to the mission of the Agency, and making the program available to the employee. DA regards the training of personnel as vital and as contributing to the successful accomplishment of its mission. Training:

- Assists employees in achieving their highest potential and capability, by improving their performance.
- Furnishes opportunities for career development to meet future staffing needs, new technology, and mission change.
- Assists all levels of management in achieving efficiency and effectiveness of operations.

4. Policy. This paragraph outlines the Agency policy for training and professional development.

a. General. The Agency's policy is to assist employees in attaining maximum effectiveness and productivity in their assigned duties. Each individual's training needs will be assessed annually to plan a program of development by formal schooling, on-the-job training, and self-development efforts. Training needs must be documented on the individual development plan (IDP). Officially sponsored training will be regarded as an integral part of the Agency's productivity efforts and will be programmed and budgeted in the same manner as other requirements. The Agency will give all employees an opportunity for training without regard to their race, color, religion, sex, national origin, marital status, age, or other factors unrelated to the need for training.

b. Training Priorities. Training requirements, which have been identified as necessary to accomplish the mission, will be given priority to ensure that the Agency receives maximum return from its training investment. All training needs will be evaluated and given priority in accordance with the Army Civilian Training, Education and Development System.

c. Training Request. In accordance with Department of the Army criteria, a DD Form 1556 (Request for Training) will be prepared for all training, both government and non-government. The Training Branch will prepare DD Forms 1556 for all Agency-conducted and Agency-sponsored courses. For all other training, the individual requesting training will be responsible for preparing the DD Form 1556. Upon completion of training, USAAA Form 406 will be completed and sent to the Training Branch. The Training Branch will forward certified copies of DD Form 1556 to the individual for the employee's maintenance of CPE documentation.

d. Agreement to Continue in Service. Under the provisions of Federal Personnel Manual, Chapter 410, Subchapter 5-7(a), employees receiving 80 or more hours of training must agree, in writing, to continue to work for the Department of Defense for a specified period of time after completion of the training. This period of time will be three times the length of the training period. Even if the employee does not sign an agreement when he/she is required to sign one, the employee is still obligated under the law to continue in the service for the requisite length of time. The reverse side of the DD Form 1556 sets forth the provisions of the retention agreement for the employee to sign.

5. Responsibilities. Training is an inherent part of work and a responsibility of management. Each level of supervision has an obligation to develop the competence needed to ensure effective performance of employees.

a. The Auditor General has overall responsibility for the training and professional development of all Army auditors. The Auditor General is also responsible for ensuring that the General Accounting Office standards for training and professional development are met.

b. The Auditor General, Deputy Auditors General, Program Director for Planning and Resource Management, Chief of the Training Branch, and the Joint Auditor Training Advisory Committee are responsible for (i) reviewing and approving the annual training program and long-range program goals and (ii) evaluating the effectiveness of Agency training.

c. The Deputy Auditor General for Policy and Operations Management is responsible for:

(1) Establishing overall policy and objectives for training.

(2) Obtaining and allocating funds and other resources to support Agency training programs.

(3) Developing and administering a training program that will ensure that all employees are properly trained in programs of instruction related to the Agency's mission through Agency, DOD, and other Federal Government and non-government activities.

(4) Evaluating the Agency's training program to ensure that all employees achieve and maintain operational efficiency and effectiveness through training.

(5) Formulating and implementing training policy, regulations, and procedural

guidance.

(6) Ensuring that the Agency's policies on training are consistently applied.

(7) Monitoring the effectiveness of training and reporting the status of training to The Auditor General as required.

d. Deputy Auditors General, Program Directors, and Chiefs of Staff are responsible for:

(1) Promoting recognition and acceptance of employee training and development.

(2) Ensuring that employees report training time accurately on monthly time sheets and USAAA Form 406.

(3) Ensuring that higher priority training is programmed and accomplished first.

(4) Ensuring that training is equitably distributed and closely monitored.

(5) Each Agency employee is responsible for coordinating with their supervisor/rater to ensure needed training is programmed and recorded on their IDP. Additionally, the employee must report completed training, using USAAA Form 406, to the Operations Center Training and Professional Development Branch to ensure that credit is given for CPE purposes.

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CHAPTER 2

DEFINING TRAINING NEEDS

1. Purpose. This chapter establishes policies and procedures for defining training needs.

2. Policy. This paragraph establishes policy for identifying training needs of employees.

a. Training Needs. It is desirable for auditors to receive the training shown in the Agency's training matrix (Appendix B). Additional training for auditors, administrative and support personnel, and other professionals will be based on training needs identified in the individual development plan (IDP), which is a living document and must be updated as necessary. Assessment of that need is a continual process, and each employee's training needs will be documented on an individual development plan at least annually.

b. Self-development. The Agency encourages self-development and actively supports employee participation in Certified Public Accountant, Certified Internal Auditor, Certified Fraud Examiner, and Certified Information Systems Auditor review courses. The Agency will reimburse employees to the extent that funds are available for completing such courses when properly justified in advance. Individuals are authorized administrative leave to sit for the examinations. Chapter 13 of this regulation contains more specific guidance on certificate programs. To the extent that funds are available, reimbursement for individual mission-related courses which may be in an advanced degree program is authorized. Depending on the availability of funds, reimbursement for approved college-level training which is directly mission related and satisfactorily completed is authorized at 85 percent. Details on college programs are in Chapter 11.

3. Responsibilities. All levels of management and all employees share responsibility for identifying training needs. The specific responsibilities of the management levels and the employees follow:

a. The Training Branch is responsible for defining desirable training and maintaining training matrixes for auditors and all other Agency employees.

b. Deputy Auditors General, Program Directors, annual raters, and senior raters are responsible for identifying training needs, preparing individual development plans, scheduling training, ensuring that needed training is provided, and monitoring the status of auditor's continuing professional education.

c. All employees are responsible for participating in developing and executing their individual development plans and meeting the required continuing professional education hours. (See chapter 10.)

4. Procedures. This paragraph discusses the procedures for identifying and scheduling Agency training.

a. Individual Development Plan (IDP). An employee's individual development plan is a combined effort of the employee and supervisor. All employees are to prepare a plan, and it should be reviewed annually and updated as required. The plan tells managers and the individual the need for further training. The individual development plan as a minimum, is to contain:

- Needed training, which is prioritized in order of importance.
- Advanced degrees and professional certificates.

b. Agency Training. Agency training needs can be satisfied by numerous sources. These sources include but are not limited to Agency-sponsored and Agency-conducted courses, other government sponsored courses, courses presented by private vendors and university courses.

(1) **Auditors**. The Agency's formal audit-specific courses are designed to meet the training needs that auditors have in common. They are not designed to satisfy all training needs. Therefore, requirements must be reviewed so individual development plans can be prepared accurately and updated as needs change. Desirable training for auditors is listed, by grade, in the training matrix (Appendix B).

(2) **Enabling Support Personnel**. Until a training matrix is developed for the Agency's enablers they will require an individualized assessment of the requirements of their position, and each individual's skills, knowledge, and performance.

c. Sources of Training. Once a determination is made that a training need for a specific skill or knowledge exists, a course that will fulfill the need must be identified. Supervisors and the Training Branch are available to assist employees and supervisors in identifying the best training to meet the need. For example, if an employee needs to improve communication skills, the Training Branch can recommend numerous courses that should be considered before enrolling the employee in a specific course.

d. Continuing Professional Education. According to the Comptroller General Government Auditing Standards, all auditors responsible for planning, directing, and conducting substantial portions of field work or responsible for reporting on government audits, should complete at least 80 hours of continuing professional

education and training which contributes to professional proficiency every 2 years. A minimum of 20 hours of continuing professional education should be completed in any 1 year of the 2-year period. Additionally, at least 24 of the 80 hours should be in subjects directly related to the government environment and to government auditing. **Agency managers should plan for their audit staff to accomplish an average of 40 hours of continuing professional education annually**. For additional information concerning these requirements, see Chapter 10.

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CHAPTER 3

ANNUAL TRAINING REQUIREMENTS

1. Purpose. This chapter establishes policy for determining annual training requirements.

2. Background. Federal Personnel Manual Chapter 410, Subchapter 3, and AR 690-400, Chapter 410, Subchapter 3, require an annual survey of each employee's training needs.

3. Policy. Annually, training needs identified on individual development plans (see Chapter 2) are to be consolidated, prioritized and reviewed by Deputy Auditors General, Program Directors, and supervisors to ensure that (i) the proposed training is appropriate and justified, (ii) all employees have been given an equal opportunity to participate, (iii) projected training is compatible with funding, and (iv) the training does not normally exceed 40 hours per year.

4. Procedures. During each quarter, the Training Branch will query The Agency Management System (TAMS) to determine training requirements. In the third quarter of the fiscal year, all Deputy Auditors General and Chiefs of Staff will be contacted to ensure that all IDP data is current in TAMS. After determining the integrity of the data, training requirements for the upcoming year will be developed from the IDPs. The TAMS database will be used to the maximum practical extent possible to identify and track training needs and accomplishments. Internal review requirements will be gathered through hard copy means.

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CHAPTER 4

NEW HIRE ORIENTATION

1. Purpose. This chapter establishes policy for the Agency's New Hire Orientation Program.

2. Applicability. This chapter applies to all newly hired personnel and those individuals within the Agency who are tasked with the responsibility of overseeing or conducting Agency in-processing and orientation for newly hired personnel.

3. Background. A standardized New Hire Orientation package is available on the Training Home Page on the Agency intranet. In addition, new employees will attend a formal orientation at the Agency's Operations Center.

4. Responsibilities. This paragraph outlines responsibilities for the New Hire Orientation Program.

a. The Deputy Auditor General, Policy and Operations Management is responsible for development of policy and procedures for the new hire orientation program and revisions as necessary.

b. Deputy Auditors General and Chiefs of Staff are responsible for ensuring that new employees attend the earliest scheduled New Hire Orientation Program following their start date.

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CHAPTER 5

AGENCY-CONDUCTED AND AGENCY-SPONSORED COURSES

1. Purpose. This chapter establishes policy and prescribes procedures for planning, developing, conducting, and evaluating Agency-conducted and Agency-sponsored courses.

2. Schools and Courses. During the fourth quarter of each fiscal year, the Training Branch will publish a training schedule of the Agency-conducted and sponsored courses which will be offered during the next fiscal year. These requirements will be driven by input from the IDP information in TAMS. A description of each of the courses will also be provided.

a. Agency-conducted courses. Agency-conducted courses are conducted with in-house resources.

b. Agency-sponsored courses. Agency-sponsored courses are usually taught by outside training providers but are designed and developed specifically for Agency auditors.

3. Policy. This paragraph discusses policies for Agency - conducted and Agency - sponsored courses.

a. Attendance. Students should be scheduled to attend appropriate Agency matrix training, and the training should be identified on individual development plans. If a student is unable to attend scheduled training, the annual rater/senior rater must submit a memorandum through the Program Director, Planning and Resource Management to the Deputy Auditor General, Policy and Operations Management explaining why the individual is unable to attend the course.

b. Locations. Agency-conducted schools will be located in the most feasible, yet cost effective locations. Schools will be conducted in Europe if at least a combined total of 25 Agency and Internal Review auditors need a particular school. Courses such as the Basic and Advanced Communications Courses, ADP training, etc., will be held at various locations. The number of students requiring the training will be considered in determining the most cost-effective site. Field offices having the largest number of students for Agency training sessions will host the seminar.

4. Responsibilities. This paragraph outlines the responsibilities of the Deputy Auditor General, Policy and Operations Management, Deputy Auditors General, Chiefs of Staff, and supervisors relating to the Agency-conducted and Agency-sponsored training program.

a. The Deputy Auditor General, Policy and Operations Management is responsible for:

(1) Developing and updating training materials and associated guidance.

(2) Controlling, scheduling, and facilitating Agency - conducted courses.

(3) Identifying, arranging, and budgeting for travel and per diem costs for instructors, and for certain costs associated with administration of Agency - conducted courses.

(4) Observing and evaluating Agency courses. Inherent in this requirement is the identification and implementation of new, improved, or innovative training techniques which will enhance training.

(5) Developing, reviewing and approving the agendas for Agency - conducted courses.

(6) Making sure that the curricula for Agency courses keep pace with the changing needs of the Agency and the Army.

(7) Establishing priorities for updating training materials so they are consistent with overall Agency requirements.

b. Activity chiefs and supervisors are responsible for:

(1) Assisting in developing and updating training materials.

(2) Providing instructor support for Agency-conducted courses.

(3) Reviewing training materials and recommending changes needed to keep the training current.

(4) Scheduling and making auditors available to attend the appropriate Agency courses.

(5) Hosting Agency courses as needed.

5. Procedures. This paragraph outlines the procedures for identifying, training and scheduling instructors to support the conduct of Agency courses.

a. Instructors. Instructors for Agency-conducted schools should meet the criteria in the following paragraphs.

(1)Type. Since Agency-conducted schools concentrate primarily on technical audit skills, Agency and Internal Review auditors are the primary source of instructors. The Agency's other professionals (such as counsel, writer - editors, and computer specialists) may also be asked to provide instruction in their areas of expertise. Consultants are usually used to instruct non-audit subjects. In all cases, instructors need to possess technical expertise and demonstrate the desire and enthusiasm to teach. Personnel designated as instructors must complete an approved instructor training course and will remain in the Agency's training program for a period of at least 3 years.

(2) Requirements. The Training Branch will determine the requirements for instructors and coordinate these requirements with Deputy Auditors General, Chiefs of Staff, supervisors, and Internal Review. The length of the instructional effort will vary depending on the lesson being taught, and each instructor will have to devote time to the training effort throughout the year. The topics and course materials will be provided to instructors.

(3) Instructor Training. Since the Agency's National Association of State Boards of Accountancy (NASBA) certification depends upon stringent standards, instructor

training is required for individuals selected to instruct. Instructor training is designed to prepare instructors to:

- Establish an appropriate climate for learning.
- Prepare and deliver presentations.
- Use skills and techniques appropriate to specific groups, environments, and objectives.
- Use group work techniques to achieve training objectives.
- Use feedback for improving teaching skills.

b. Course Administrators. Personnel assigned to the Training Branch will serve as course administrators for the schools, ensuring that all necessary arrangements have been made with respect to administrative, financial, and logistical support.

c. Evaluations. Students attending Agency courses will be asked to evaluate the course and the effectiveness of instructors. Training needs analyses, student course evaluations, supervisor feedback, and course administrator observations are used to make any necessary revisions to the courses.

d. Updating Course Materials. The Training Branch will establish and maintain liaison with functional proponents and each curriculum committee to keep abreast of changes in policies and procedures that should be used in updating course materials. Lesson plans will be reviewed and updated periodically by respective instructors to ensure that subject matter is current and sufficient and the training quality is adequate.

e. Curriculum Committees. Each Agency-conducted/sponsored course will have a curriculum committee assigned to ensure that the course content is relevant, current, and supports the mission, values, goals and vision of the Agency. Each committee will include members of the Agency, Internal Review, and a member of the Training Branch. The committees will review the course program of instruction (POI) at least annually, or on an as needed basis.

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CHAPTER 6

TRAINING WORKSHOPS

1. Purpose. This chapter establishes policy and prescribes procedures for the preparation and conduct of training workshops. To conserve training and travel funds, locally-conducted training workshops will allow us to disseminate information and conduct mandatory training in a timely fashion.

2. Applicability. This chapter applies to all Operations Center and field office training workshops and seminars. Locally-conducted training workshops have many advantages over professional development seminars: they are less costly; they can be held for large or small groups; they lend themselves to current issues and information; their nature provides more flexibility, which generates fewer scheduling problems; and the structure of the session can be tailored to the content.

3. Policy. This paragraph establishes policy for USAAA conducted training workshops.

a. In order for CPE credit to be claimed for an Agency training workshop, the session needs to be training related and have structure, i.e., an agenda, list of students, qualified instructors, and an evaluation instrument. **If the workshop objectives are to discuss an upcoming audit, or issues relative to our daily business, CPE cannot be claimed**.

b. Training workshops are intended for all Agency personnel and can be a forum for conducting mandatory training, such as Freedom of Information Act, prevention of sexual harassment, equal opportunity, etc. The use of video tape presentations for these topics is an effective and relatively inexpensive medium for these sessions. The primary objectives of the seminars are to (i) discuss current Agency and field office/Operations Center issues, policies, and procedures (see Appendix D for agenda topics), (ii) provide a forum for discussing and resolving problem areas; and (iii) supplement the Agency's formal training program.

c. The content of the workshops, in most cases, will be relevant to all Army auditors. When planning for a workshop, inclusion of local internal review personnel should be considered.

4. Responsibilities. This paragraph outlines the responsibilities for scheduling and conducting training workshops.

a. The supervisor will be responsible for:

(1)The content, scheduling, conduct, and evaluation of the workshop.

(2) Advance coordination with the Training Branch concerning any funding issues associated with the workshop.

(3) Preparing the DD Form 1556 documenting the training and attendance. The DD Form 1556 must be prepared even if the training is at no cost.

(4) Providing the Training Branch with a copy of the DD Form 1556, list of attendees, and agenda for purposes of CPE credit.

(5) Scheduling the workshop training site at, or in the immediate vicinity, of the field office.

b. The Training Branch will be responsible for:

(1) Providing technical advice and assistance as needed by the supervisors conducting the workshop.

(2) Entering the CPE data into TAMS. Award of hours for continuing professional education for the seminars will be restricted to those subjects directly related to auditing. See Chapter 10 for more information on the award of continuing professional education hours.

(3) Funding any approved costs associated with the training.

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CHAPTER 7

FORMAL ON-THE-JOB TRAINING FOR AUDITORS

1. Purpose. This chapter provides general guidance on the policies and responsibilities for on-the-job training for Agency auditors.

2. Applicability. This chapter applies to all Agency auditors.

3. Background. It is the responsibility of Auditors-in-Charge, Audit Supervisors, and Audit Managers to supervise the work of each auditor and to provide on-the-job training.

4. Definition. On-the-job training for auditors is defined as structured and supervised training provided in the work environment to improve performance. All auditors, GS-11 and below, will be assigned specific on-the-job training tasks and will be provided supervised guidance and assistance to enable them to enhance their knowledge, skills, and experience. Specific tasks required of each auditor are to be shown on the Record of On-The-Job Training, USAAA Form 440a. The auditor-in-charge will prepare the record at the start of each audit and will discuss with and assign tasks to each auditor. During the audit, the auditor-in-charge will hold periodic counseling sessions to discuss the auditor's progress in completing assigned tasks. Before releasing an auditor from an audit, the auditor-in-charge will complete the applicable portions of the record showing whether the auditor successfully accomplished the assigned tasks during that audit. The record will be used at each assigned audit until the individual has completed all required tasks. USAAA Form 440a will be used in conjunction with the interim appraisal process and will become a part of the auditor's permanent training record.

5. Responsibilities. This paragraph establishes the responsibilities of the Deputy Auditor General, Policy and Operations Management, Program Directors, Levels I and II supervisors, and all auditors regarding on-the-job training.

a. The Deputy Auditor General, Policy and Operations Management is responsible for establishing and monitoring the accomplishment of the on-the-job training program.

b. Supervisors are responsible for ensuring that (i) on-the-job training programs are established and accomplished and (ii) auditors are given the assignments and training needed for career development and advancement.

c. Level I and Level II supervisors are responsible for evaluating the strengths, weaknesses, and experiences of auditors assigned to their audits and, in turn, for assigning the appropriate on-the-job training tasks. Auditors-in-Charge are responsible for preparing and discussing the Record of On-The-Job Training with each auditor assigned to their audit. Level I supervisors are responsible for reviewing the record, and Level II supervisors are responsible for approving it before it is discussed with the auditor.

d. Auditors are responsible for performing assigned tasks, advising management of their specific training needs or desires, and obtaining the required skills for their career development and advancement.

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CHAPTER 8

UPWARD MOBILITY PROGRAM

1. Purpose. This chapter prescribes policies and procedures in the management of the Agency's upward mobility program. The intent of the program is to increase employee job skills, provide career development, and further the goals of the Agency's equal employment opportunity program. The upward mobility process covered in this chapter supplements DA guidance, which is based on provisions of the Government Employees Training Act (1978), Equal Employment Opportunity Act (1972), and the Office of Personnel Management.

2. Definition. The upward mobility program is a systematic personnel management effort to provide specific career opportunities for Federal employees at grade levels GS-8 and below, or the equivalent under other pay plans, who are in positions or occupational series not providing significant promotion opportunities beyond their current grade level.

3. Policy. The Agency will provide employees with maximum opportunities to develop and perform according to their capabilities in order to meet Agency needs. This program is a form of employee development within The Auditor General's responsibilities for overall personnel management. Deputy Auditors General, Chiefs of Staff and supervisors will support the program and ensure that publicity and counseling are given to eligible employees.

4. Responsibilities. This paragraph discusses the responsibilities for participation in the upward mobility program.

a. The Deputy Auditor General, Policy and Operations Management is the delegated authority for upward mobility and will:

(1) Make sure sufficient financial and personnel resources are available to develop and implement the program.

(2) Review program reports periodically.

(3) Make sure that managers, supervisors, Personnel Management Specialists and employees are aware of their roles and responsibilities and that senior managers support the program.

b. Deputy Auditors General and Chiefs of Staff will:

(1) Encourage participation in the program.

(2) Make sure that the efforts of managerial personnel are timely and positive in developing and executing a workable program for achieving desired outcomes.

c. Supervisors will:

(1) Serve as career advisors for all personnel in the program.

(2) Make sure that all program requirements such as written performance standards, periodic performance appraisals and progress reports are completed.

(3) Identify any position that can be filled through upward mobility.

(4) Assist in evaluating the program.

d. Personnel Management Specialists are designated as upward mobility program

coordinators and are responsible for:

(1) Coordinating, developing, implementing, and evaluating the upward mobility program within the Agency.

(2) Making sure that career counseling services are available to program participants.

(3) Ensuring full and effective publicity for the program.

(4) Assisting participants and supervisors in development of individual training plans and training evaluations for program participants.

(5) Making sure that recommended and approved formal training is scheduled.

(6) Monitoring training progress reports of individual participants and making sure the reports are sent to the supervisor and Training Branch 90 days after employees have been assigned to the program and thereafter on a semiannual basis.

(7) Participating in the overall planning, implementation, and evaluation of the program.

(8) Coordinating with the Pentagon Civilian Personnel Administrative Center (CPAC) in identifying performance standards, selection criteria, and types of experience required for adequate performance in targeted positions.

(9) Announcing upward mobility vacancies and recruiting for the positions.

(10) Coordinating with the Pentagon Training and Career Management Division, CPAC, to establish an individual training plan for each program participant.

(11) Providing participants feedback on their progress in acquiring needed skills and knowledge for progression in their career field.

(12) Making sure that supervisors evaluate participant's progress, development, and performance regularly.

e. Supervisors will:

(1) Work with supervisors and Personnel Management Specialists in developing training plans to help participants meet performance standards.

(2) Provide training and development for the participants.

(3) Provide feedback to participants about their performance and application of skills and knowledge acquired through training, and provide a copy of this information to the Training Branch. Additionally, a copy of the participant's grades will be provided to the Training Branch.

(4) Evaluate participant's progress in the program.

f. Program participants will:

(1) Enter into the counseling process with supervisors to develop individual training plans, and prepare annual academic plans which will be submitted to the Chiefs of Staff, Personnel Management Specialists, and the Training Branch.

(2) Fulfill training, educational, and work requirements as outlined in the training plans.

(3) Write semiannual evaluations of their progress in the program.

g. The Agency Equal Employment Opportunity Counselor is responsible for:

(1) Assisting in gaining management's commitment and support for the program.

(2) Assisting managers and supervisors with organizational analysis to determine where and for whom the upward mobility program will be most effective.

(3) Assessing the effectiveness of the program and reporting progress in the annual equal employment opportunity plan according to Office of Personnel Management criteria.

5. Program Goals. The Program Director, Planning and Resource Management, in conjunction with the Personnel Management Specialists and the Director, CPAC and the Equal Employment Opportunity Officer will develop annual goals for upward mobility. Some factors to be considered in making this determination will be:

- Activity workload demands.
- Number of like positions in the Agency.
- Number of trainees in the Agency.
- Minority, female, and handicapped representation in the occupation and in the activity.
- Availability of well qualified candidates.
- Career opportunities which the position could provide.
- Existing career ladders within the Agency.
- Agency capability to train candidates.

6. Procedures. This paragraph discusses the basic procedures for establishing an upward mobility program.

a. Employee Eligibility. To participate in the upward mobility program, an employee must meet all of the following criteria.

(1) Occupy a position in grades GS-1 through GS-8 or an equivalent with a target grade no higher than GS-8.

(2) Occupy a position that is not in one of the DA Civilian Career Programs.

(3) Occupy a position that is Career, Career Conditional, Veteran's Readjustment

Appointment, or Excepted Service for Handicapped Employees.

(4) Have at least 90 days continuous service since initial non-temporary appointment.

b. Basic Principles. The basic principles of the upward mobility program are as follows:

(1) The basic principles of merit apply to upward mobility. Employees will compete and be selected under both the merit promotion and training and development regulations and procedures. Basic qualifications are those published in the United States Office of Personnel Management Qualifications Handbook (X-118). Special requirements established for each position or occupation covered by this regulation will be described in the Upward Mobility Promotion Announcement in the same manner as they are for other merit promotion actions.

(2) All upward mobility training and developmental opportunities must pertain to the Agency's mission.

(3) Opportunities are available to employees who meet eligibility requirements regardless of race, color, national origin, religion, sex, age, marital status, or non-disqualifying physical or mental handicap.

c. Establishment of Positions. The primary means of implementing upward mobility is through job restructuring or bridge positions. This enables an employee who does not qualify for a professional or administrative (two grade interval) occupation to crossover, through competition, from the employee's current series to the target series. Crossover is accomplished by identifying paraprofessional or technician duties to be developed into one or more bridge positions. Employees can be placed in the target occupation without further competition upon successful completion of all requirements. For example, the employee must meet all bridging position GS-503 series requirements before crossing over to the GS-511 series. Crossover is at the same grade. After crossover to the GS-511 series, the employee must demonstrate the ability to work at the higher level, and fulfill time-in-grade requirements before being eligible for promotion in the GS-511 series. It will normally take about 4 years from the time the employee enters the program until they are eligible for promotion within the GS-511 series.

(1) Both the target job and any intermediate positions will be identified by a career ladder. Advancement from the bridge position through any intermediate position or grade level to the target position depends on successful completion of training requirements.

(2) Positions filled through upward mobility procedures will normally be charged against workforce spaces allocated to the jobs. Position descriptions for restructured bridge positions (at each level in the career ladder) will contain the following statement: "This position is established for upward mobility purposes to provide development experience for the performance of (insert specific target position title, series, grade, and job number.)" Complete descriptions of all steps in the career ladder need not be shown in the individual position descriptions, but those steps will be

documented in the employee's training plan and on each SF-52 (Request for Personnel Action).

(3) Established pay-setting policy is used for the salary of selectees. An employee who accepts a change to a lower grade to enter a bridge position is entitled to pay retention if the salary cannot otherwise be adjusted through application of the highest previous rate rule.

d. Announcing Upward Mobility Positions. When a position has been identified under this plan as an upward mobility position, the Personnel Management Specialist will announce the vacancy using the normal announcement format with the following notation: "This upward mobility position is in accordance with USAAAR 600-21." The announcement should show the area of consideration to be Agency wide. Only employees who apply for a particular upward mobility announcement will be considered for the position.

(1)Minimum qualification requirements will be those prescribed by the Office of Personnel Management in the X-118 Handbook, plus any ranking factors such as the ability to communicate orally and in writing. The criteria for identifying highly qualified candidates will be developed through a job analysis performed by the servicing Personnel Management Specialist, together with one or more subject matter experts. Minimum qualification requirements, any ranking factors, and the "highly-qualified" criteria will be published in the vacancy announcement.

(2) The announcement will clearly show the title, series, and grade levels at which the upward mobility position will be filled.

(3) The target position and grade level will be clearly identified in the announcement. It will also indicate that future promotions or reassignments to the target position will be noncompetitive.

e. Rating and Selection Procedures. Eligible candidates who meet the minimum qualification standards--including any selective placement factors--will be evaluated on their current levels of knowledge, skills, and abilities for the job. The best-qualified candidate(s) will be referred to the selecting official for consideration. Rating and ranking procedures are prescribed in USAAAR 600-1, Recruitment and Placement Merit Promotion and Internal Placement Program.

(1) The selecting official will choose the candidate(s) from the best-qualified list. Each selection will be based on merit factors and consideration of affirmative action responsibilities. The selecting supervisor will fully document the decision.

(2) The successful candidate(s) will be notified of selection and the specific position for which selected.

(3) Candidates who are not selected will be provided the name of the selected candidate.

f. Upward Mobility Training Plans. Training plans will be developed that define

on-the-job training, formal instruction, and the work experience necessary to acquire the qualifications for movement within the career ladder. These plans are to be tailored to the needs of each selectee.

(1) The training plan presents an overview of the training required for the target position. The plan should include at a minimum:

- Identification of the target position.
- Identification of the trainee bridge position(s).
- Indication of the tasks/duties of the target job.
- Length of the developmental assignment.
- Target dates for completion.
- Sources of training.

(2) The trainee, the supervisor, Level 2 supervisor, and the appropriate Personnel Management Specialist will develop the training plan. The plan must be completed and sent to the Pentagon Training and Career Management Division, CPAC, within 4 weeks of the employee's entry on duty. A copy of the plan will also be sent to the Training Branch.

g. Core Courses: Upward mobility employees may attend non-government (college) training only if there are no satisfactory training programs available within the Federal Government. For such non-government training, 24 semester hours in "core" courses must be taken in order to qualify for the GS-511 series. Core course reimbursement will be 100 percent of the cost of tuition and books upon satisfactory completion of the course. If requested by the employee, the course may be prepaid. The core courses, which qualify are as follows:

- Basic Accounting - Internal Auditing
- Principles of Accounting - Analysis of Financial Statements - Intermediate Accounting - Cost Accounting
- Auditing - Business Budgeting
- Government Accounting - Cost Analysis and Control
- Advanced Accounting - Business Law (I and II)

(1) Satisfactory completion of core courses requires a passing grade of not less than a "C." Program participants may attend on-campus college courses for up to 20 hours a week during duty hours. Included in this time can be travel time up to1 hour to and 1 hour from the classroom and time to register for the course(s). Travel time is subject to the approval of the employee's supervisor. Eligibility for promotion (qualification and time-in-grade requirements) will be based on time actually on the job.

(2) If a core course is not offered during normal duty hours and is taken at night, the Chief of Staff, in coordination with the supervisor, is authorized to grant equivalent classroom time during normal duty hours up to the amount of classroom time actually spent attending the night session(s) plus travel time. The duty hour equivalent classroom time will be coordinated with the Chief of Staff and supervisor in advance.

h. Closely Related Courses: A closely related course is one which is mission related

and lends itself to the education/experience criteria for the GS-511 series. If there is a question as to whether or not a subject is considered closely related, the Personnel Management Specialist and Chief, Training Branch will jointly determine the eligibility of the subject. **Closely related courses may be taken only during non-duty hours and will only be reimbursed at 85% of the cost of tuition and books. Additionally, equivalent classroom time during duty hours for closely related courses is not authorized. Attendance at closely related courses will be limited to two per semester**.

i. Upward Mobility Program participants who complete all of the requirements for award of the GS-511 series and wish to pursue mission-related undergraduate studies are required to meet the criteria outlined in Chapter 12 of this regulation.

j. Trainee Evaluation. A critical element in the successful implementation of the upward mobility program is the continual monitoring and evaluation of the trainee's progress in formal training and on-the-job experiences designed to develop specific skills, knowledge, and abilities. The supervisor, the employee, and the Personnel Management Specialist must ensure that periodic reviews are made, and that the terms of the established performance standards are being met. A copy of the review results will be provided to the Training Branch.

k. Evaluations. The time frames and types of evaluations of employee progress are:

(1) Within 90 days of the employee's assignment to a bridge position, the supervisor or supervisor will discuss the progress with the employee and must report the progress, in writing (Memorandum for Record), to the Pentagon Training and Career Management Division, CPAC and to the Training Branch. This evaluation should concern the adjustment of the employee to the program. Any initial problems of entry into the program should be resolved and noted in the memorandum.

(2) The performance of upward mobility trainees will be appraised semiannually. The rating period will be every 6 months starting with the employee's entrance into the program. DA Form 7222 (Employee Performance Appraisal) will be used. Since trainees already have a training plan, an Individual Development Plan need not be completed. Appraisals will be sent to the Pentagon, CPAC.

(3) Advancement to the target level position will depend upon the employee having met the performance qualification standards for each position in the career ladder. The supervisor will continually monitor the progress of the employee, provide counseling or assistance, initiate any changes in the training plan, and evaluate performance semiannually. Upward mobility training plans and appraisals must be up to date before advancement to another step in the career ladder.

l. Termination Provision. Provisions for employees terminating the upward mobility program are:

(1) An employee who has been selected for a bridge position and who fails to meet all of the requirements of the training plan, except for reasons beyond the employee's control, will not be assigned to an intermediate or target position until the deficiency

is corrected. The employee is entitled to assignment to an available position at a grade no higher than that held immediately before entry into the upward mobility program. The promotion potential does not need to be greater than that of the prior position. The employee must be fully qualified for the position to which assigned.

(2) An employee who fails to successfully complete or pass at least two prescribed courses under the training provisions, except for reasons beyond the employee's control, may be withdrawn from the upward mobility program.

(3) An employee who is withdrawn from the upward mobility program for one of the preceding reasons will not receive further consideration from the Agency for positions in the same career field.

m. Mobility Agreement. Employees selected for auditor target positions must execute a Statement of Understanding as a condition of entry into the upward mobility program.

n. Feedback on Program Effectiveness. Six months after a crossover employee has completed the program, the supervisor or the Chief of Staff will submit a written report, (Memorandum for Record) to the Pentagon Training and Career Management Division, CPAC, describing the employee's progress in the target position. A copy of this evaluation will also be provided to the Operations Center Training Branch.

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CHAPTER 9

COOPERATIVE EDUCATION PROGRAM

1. Purpose. The purpose of this chapter is to provide guidance concerning cooperative education programs.

All Operations Center activities and field offices will consider the use of cooperative education programs to meet current and projected staffing needs. A cooperative education program is an organized program in which a student alternates academic study at a high school, accredited college or university with work experience and training as an employee of an Army activity. The student's work assignments are planned individually; his or her assignments increase in responsibility and difficulty as he or she completes more academic courses.

2. Program Objectives and Advantages. The main objective of cooperative education programs is to bring into DA's civilian workforce students in specialized career fields and prepare them to serve in intern positions immediately upon graduation. The program helps reduce personnel turnover and allows better use of professional employees by assigning some administrative duties to the students.

3. Types of Programs. This paragraph discusses the types of cooperative education programs available.

a. Graduate and Undergraduate Programs. These 4-year programs at colleges and universities must comply with Federal Personnel Manual, Chapter 308, Subchapter 2 if the curriculum leads to a bachelors or masters degree. Usually, the programs will be set up with

alternate periods of work and study in quarter, semester, or other period of the school's academic calendar. If possible, student-employees will be hired in pairs; one student-employee can work while the other is in school. Although there is no longer a maximum time limit on how long an individual can stay in the program, Federal Personnel Manual, Chapter 308, Subchapter 2-13, b(2), outlines the minimum study related work required to be eligible for conversion.

b. Two-Year Programs. These programs at high schools and colleges must comply with Federal Personnel Manual, Chapter 308, Subchapter 2.

c. Cooperative Education. The Pentagon Training and Career Management Division, CPAC, in concert with the supervisor and the student's supervisor, will develop a detailed cooperative education training plan. The plan will:

(1) Provide work assignments of increasing difficulty.

(2) Integrate the assignments with the college curriculum and key them to the student-employee's educational status.

(3) Give the student the chance to gain firsthand knowledge and actual experience through projects and assignments in the student's chosen field.

(4) Ensure that the activity makes full use of the professional related skills of the student-employee.

(5) Provide for assignments and leadership that will encourage the student-employee to continue to work for the Agency after obtaining a college degree.

(6) Provide for continued counseling and evaluation of progress of the student-employee.

4. Justifying a Program. An activity or field office can set up a cooperative education program only when there is an anticipated need for the students after graduation. Conditions that help justify the program are:

- Difficulty in recruiting in various career fields.
- Planned expansion of the workforce in the future due to changes in mission or technological advances.
- An accurate estimate of the auditors who will retire or otherwise leave the Agency within a given time.
- The need to meet Agency wide staffing goals under the Equal Employment Opportunity Program.
- Management support for cooperative education at the activity or region.

5. Administration. Chiefs of Staff and supervisors will administer the cooperative education program and can establish, expand, curtail, or discontinue a program. They also provide overall support to the program and are responsible for ensuring:

- Coordination of programs with cooperative education program coordinators at colleges or universities.
- Periodic evaluation of the progress of each participant.
- Maintenance of the records required to plan future activities and prepare reports required by Headquarters DA and the educational institution.

6. Appointment. This paragraph provides information concerning the appointment of students in the cooperative education program.

a. Personnel Spaces. Operations Center activities and field offices must operate programs within existing personnel ceilings. If student trainees are enrolled in pairs and work alternately, only one personnel space is required for both. The appointing officer must certify that spaces are available.

b. Appointment Authorities. Appointing officers will appoint student employees under Federal Personnel Manual, Chapter 308, Subchapter 2-6, b.

c. Hiring Students. Students hired under Chapter 308 of the manual may be converted non-competitively to a career or career-conditional appointment (Chapter 308, 2-13).

7. Financial Support. Employing activities can pay tuition for a cooperative education student if the following conditions are met:

- The student is in the last 2 years of a bachelor's degree program.
- Alternate recruitment sources in AR 690-950 are considered.
- Actual staff needs and equal employment opportunity goals are considered.

a. Location. Special attention will be given colleges and universities that are near the employing activity and have a large population of minority and/or female students.

b. Authority. Authority to pay tuition costs does not cover graduate level programs. Activities may apply through channels to HQDA (DAPE-CPS), Washington, DC 20310 for exceptions for specific graduate programs. The justification must include:

- Reason tuition aid is needed.
- Advantages that will accrue to the activity or region.
- Duration of the need for the authority.
- Number of students and schools involved.

8. Reports. Activities and field offices employing cooperative education students will report program information as requested by the Office of Personnel Management and Headquarters, DA.

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CHAPTER 10

CONTINUING PROFESSIONAL EDUCATION/TRAINING HISTORY RECORDS

1. Purpose. This chapter establishes policy and prescribes procedures for awarding and recording

continuing professional education hours for internal and external training courses and for other professional educational activities. The requirements it establishes are in accordance with the "Government Auditing Standards: Standards for Audit of Governmental Organization, Programs, Activities, and Functions" (the "Yellow Book"), as well as the General Accounting Office Operations Manual Order 2410.2, dated 13 January 1989: "Continuing Professional Education (CPE) Credits for Training and Other Professional Activities"; and General Accounting Office document "General Accounting Office Continuing Education and Training Requirements", dated 16 January 1990. The requirements apply to all auditor personnel, including supervisors, managers, and executives.

2. Applicability. This chapter applies to all Agency personnel.

3. Policy. This paragraph discusses the policy concerning continuing professional education.

a. All USAAA auditors responsible for planning, directing, conducting, or reporting on government audits (as well as auditors temporarily assigned to staff positions, but who anticipate returning to audit work) must complete a minimum of 80 hours of professional training or development in areas appropriate to their expertise and/or work during each 2-year period. These 80 hours will be referred to as continuing professional education hours.

b. A minimum of 20 of the 80 hours must be earned in any one year of the 2-year period. Further, of the 80 hours, 24 must be government related. These requirements are effective for staff assigned to audits and audit studies as of 1 October 1988.

c. Failure to meet the continuing professional education requirements can result in individual auditors being prohibited from doing audits. Further, audit results may be nullified if all or part of the audit staff has not met the continuing professional education requirements.

4. Responsibilities. This paragraph outlines responsibilities for Agency personnel concerning the attainment and monitoring of continuing professional education.

a. The Deputy Auditor General, Policy and Operations Management is responsible for:

(1) Establishing the Agency's policy for continuing professional education and for monitoring its implementation.

(2) Determining and communicating the number of continuing education credits assigned to all Agency-conducted and Agency-sponsored training courses.

(3) Providing specific guidance on continuing education issues in training and professional education matters.

(4) When needed, assisting activities and field offices in designing in-house training activities to help ensure that they meet the requirements for continuing professional education.

(5) Monitoring a central database of continuing education hours accrued by all USAAA auditors to ensure that CPE accrual is in compliance with GAO standards and that the training hours scheduled/completed are not excessive.

b. Activity chiefs and supervisors are responsible for:

(1) Identifying all personnel to whom the continuing education requirement applies and providing them with the opportunity to attend internal and external training as funding will permit.

(2) Encouraging employees to pursue other training and professional activities that contribute to professional development.

(3) Recording and monitoring the accumulated continuing education credits for each employee covered by this policy, and requesting training for employees who do not appear to be making progress in meeting the 80-hour requirement.

(4) Maintaining documentation in employee unofficial personnel folders to show that employees have received the required continuing professional education hours.

c. Individual audit staff members are responsible for:

(1) Maintaining their professional competence and continually improving it. They are responsible (on their own or in conjunction with their activity or field office) for seeking opportunities for training and professional development, for successfully completing these activities, and for ensuring the earned continuing education credits are documented. Additionally, individual staff members are responsible for monitoring their own progress toward the 80 hour requirement to remain qualified to perform USAAA's audit mission.

(2) Auditors who have been employed by USAAA for less than 1 year of a given 2-year period will not be required to meet a minimum number of continuing education hours; auditors who will have been employed at least 1 year, but less than 2, in their first 2-year period, will be required to have earned a minimum of 20 credit hours. The same policy holds for employees on extended leave-without-pay or sick leave during a 2-year period. Part-time employees are expected to meet the full 80-hour requirement.

(3) Auditors who have not earned the required number of continuing education hours in any 2-year period will have 2 months after the cutoff period to make up the deficiency. Any hours earned toward the deficiency may not be counted toward the 20 credit hours minimum for the new reporting period. Continuing professional education hours will be computed on a fiscal year basis. The first USAAA 2-year period ran from 1 October 1988 through 30 September 1990. Currently, the two-year reporting period runs from 1 October 1996 through 30 September 1998. Subsequent reporting periods will be counted in stationary 2-year periods.

5. Procedures. This paragraph discusses procedures for granting, computing, documenting, monitoring and verifying continuing professional education hours.

a. Criteria Granting Continuing Professional Education Hours. For purposes of this chapter, continuing professional education is a structured activity during which information is presented and shared and whose primary purpose is educational. The structured activity

can include, but is not limited to, resident training, correspondence courses, video-based courses and computer-based courses. The training subject matter may include material on audit methodology, USAAA policies and procedures, audit design and methodology, issue area topics related to USAAA's work, or material intended to improve skills in other areas related to USAAA's mission (e.g., supervision, management, automation, or writing). However, topics which are considered to be related to an upcoming audit or considered to be "business as usual" **do not** qualify for CPE credit. All USAAA-conducted training will qualify for government-related hours.

b. Computation of Hours. Unless otherwise noted, each 50 minutes of a training program/course generally will be recorded as 1 hour of CPE credit. (Only full hours may be recorded.) Appendix B of this regulation provides a partial list of courses/hours. Further guidance for computation of credit can be found in the General Accounting Office's "General Accounting Office Continuing Education and Training Requirements" dated 16 January 1990. Activities and field offices will be responsible for determining continuing education hours when individuals take training which has no documentation to verify the hours completed.

c. Documentation of Hours. With the latest OPM change on maintenance of personnel/training records, the burden of maintaining documentation on individual CPE accrual rests upon the individual. Employees are responsible for ensuring that certified DD Forms 1556, certificates, program agendas, USAAA Form 406, or other certified supportive documentation are maintained to verify awarded hours for continuing education are completed by all audit staff members. It is important that the USAAA Form 406 be completed and returned to the Training Branch so that we can certify that training was completed and the type of CPE (government or non-government) training can be accurately entered into the TAMS system. Accurate maintenance of all documentation that can support completed training is critical for those employees holding professional certificates.

d. Monitoring of Hours. The Training Branch will monitor training information to help ensure compliance with the standards and that projected training in excess of 40 hours per year is identified. To facilitate the monitoring process, persons receiving training must provide a copy of continuing professional education documentation USAAA Form 406 to the Training and Professional Development Branch immediately after completion of training.

e. Verification of Hours. Continuing professional education hours will be verified periodically on a sampling basis by a quality assurance team. The objectives for the review will be to determine if auditors meet the required number of continuing professional education hours and if those hours are documented. Additionally, State Boards of Accountancy may demand hard-copy evidence of the length and nature of CPE for maintenance of a professional certificate.

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CHAPTER 11

LONG-TERM TRAINING OPPORTUNITIES

1. Purpose. This chapter establishes policy and procedures for application procedures, selection criteria, attendance, funding and documentation of those programs that are considered to be long-term in nature. **The provisions of this chapter do not pertain to the Upward Mobility Program detailed in Chapter 8 of this regulation**.

2. Policy. The Agency is committed to creating an environment which encourages personal growth and provides opportunities for professional growth and career development. To reach this goal, the Agency and Department of the Army offer several programs. This chapter will provide information on the two major long-term training categories: Agency-sponsored and Department of the Army sponsored programs.

3. Agency-Sponsored Graduate and Undergraduate Courses. Agency-sponsored graduate/undergraduate level courses are those in which the Agency will reimburse a percentage of the total cost of tuition, books and laboratory fees. In order for an employee to be considered for one of these courses, the following criteria applies:

a. Application Procedures: PRIOR TO ENROLLMENT, supervisory approval must be obtained well in advance of the requested course start date. It is recommended that at least 90 days be allowed for the administrative/approval process. Please submit a **completed DD Form 1556,** which has been signed by the annual rater/senior rater, to the Training Branch. This is important because, before making this commitment, the supervisor/rater must make sure that they can stabilize the applicant's travel that could adversely affect class attendance. This provision applies on a class by class basis. Every effort will be made to stabilize travel while an employee is enrolled in a graduate program. However, mission needs will take precedence over any upcoming classes. NOTE: It is important that the prospective student determines if the college/university in question requires a GMAT, GRE, Miller's Anthologies, or any other type of application examination. If one of these instruments is required, the results must also be forwarded along with the DD 1556. The Agency is prohibited from funding for these application examinations.

- Application packages must be submitted to the Training Branch 45 days before the start date of the course.
- Incomplete application packages will be returned to the employee without action.

b. Selection Criteria: **The training requested must be on the individual's IDP.** Prior CPE credit hours accrued is also a determining factor. Training Branch approval will be based on availability of funds.

c. **Probationary Employee Participation in Graduate Level Courses**. Employees must have six months of satisfactory performance to be accepted for reimbursable certification or graduate courses. No on-the-job study time is authorized for graduate courses (this applies to all employees). Reimbursement for graduate courses for **all** employees will be based on receiving at least a grade of "B" or better.

d. Funding. During the last quarter of the fiscal year, the annual training plan, schedule, budget, and training allocations will be provided. The training plan will set the amount of

funds that are allocated for tuition assistance. Funding constraints will drive the percentage of training dollars which can be reimbursed. Personnel who want the Agency to reimburse them for college course work should be aware of the following criteria:

- The opportunity for enrollment in a mission-related college course is open to all Agency personnel.
- The college course requested must be recorded as a training need on the individual's IDP.
- Course work must be from a DOD-recognized accredited college or university.
- Enrollment will be limited to two courses per semester or quarter, except for those individuals who are participants in other long-term training which is sponsored/funded by DA.
- The training requested must be mission related.
- No local travel costs will be funded.

e. Attendance. Attendance will be during non-duty hours. The course of study must be mission related and may be either taken at a local institution or through an approved external degree-producing program. Since funding levels impact directly on the number of employees who can participate in this program, it is important that tuition costs be reasonable. If a grade point average of less than 2.0 on a 4.0 scale is received, the employee will not be reimbursed for any costs associated with the course.

f. Documentation. Employees requesting reimbursement of tuition for college courses are no longer required to submit Copy 5 Reverse of DD Form 1556 to the Training Branch or Budget Office. DFAS-Indianapolis now requires the Budget Office to complete and submit an SF 1034 instead. The Budget Office will prepare and submit the SF 1034 to DFAS. A request for training DD Form 1556 must still be prepared for all training courses.

It is the employee's responsibility to submit a transcript of their grades to the Budget Branch for reimbursement. Undergraduate reimbursement requires a grade of "C" or better, and graduate reimbursement requires a grade of "B" or better. Upon receipt of the employee's grades and receipts, the Budget Branch will certify the DD Form 1556 and forward the original to Finance and Accounting, Indianapolis for payment. A copy of the DD 1556 will be sent to the employee for their training records.

4. Women's Executive Leadership (WEL) Program. Although allocations and final selections for this program are controlled by Department of the Army, the Agency is responsible for initial selections and total funding responsibilities. This program is comprised of both formal and mentoring training phases. Because of the high cost of travel, the Agency has been forced to restrict the number of participants in this program. Announcements are made annually by the Training Branch, which also provides the necessary application forms and procedures.

5. Department of the Army Sponsored Programs. The major long-term training programs sponsored by DA are the Graduate Level Financial Manager's Program conducted by Troy State University, the Army Comptrollership Program conducted by Syracuse University, the Competitive Professional Development Program, the Army War College, Carlisle, Pennsylvania, and the Logistics Executive Development Course conducted at Fort Lee, Virginia. Other long-term programs designed for senior

executives will not be addressed in this regulation.

a. Application Procedures: As with Agency-sponsored programs, supervisory approval must be obtained well in advance of the requested course start date. The application windows are provided to us by DA, and normally are announced around the same time each year. The Training Branch will forward this information as it is received from DA. Since these are highly competitive allocations, it is recommended that those individuals who will be competing for these training opportunities give their best effort in completing a professional package. Along with the application packages, a completed DD Form 1556, which has been signed by the annual rater and the supervisor, should be forwarded to the Training Branch.

- An individual selected for the Competitive Professional Development (CPD) Program is able to choose the college or university they wish to attend. Since each institution has different admission's requirements, the choice of college will determine if an admissions examination is required. Syracuse University also requires the GMAT admissions examination. Troy State does not require a GMAT, GRE, Miller's Anthologies, or any other type of application examination. It is the individual's responsibility to ensure that, if they are attempting to compete for the CPD or Syracuse, they should take the examination well in advance of the expected application time frame. The results of the examination must be forwarded along with the DD 1556. The Agency is prohibited from funding for these application examinations.
- Application packages must be submitted to the Training Branch not less than 15 days prior to the DA suspense date.
- Incomplete application packages will delay processing of the package and may cause the applicant to miss the nomination suspense.

b. Selection Criteria. The Training Branch will screen the packages for completeness and rank the candidates before forwarding the packages to DA for final selection. Candidates will be ranked in order of qualification. **The training requested must be on the individual's IDP**. The number of available allocations and quality of the candidate's package primarily drive selections.

c. Funding. Since these are DA funded programs, the Agency only has responsibility to fund certain travel and incidental costs. The Training Branch will provide any funding required for authorized expenses.

d. Documentation. It is the employee's responsibility to maintain their training history records. However, upon completion of training, they must submit a USAAA Form 406 to the Training Branch so that the appropriate CPE hours can be entered into their CPE records.

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CHAPTER 12

PROFESSIONAL CERTIFICATIONS

1. Purpose. This chapter establishes policy and procedures for enrollment, attendance, and funding of professional certification review courses and review examinations.

2. Policy. The Agency is committed to creating an environment which encourages personal growth and provides opportunities for professional growth and career development. To reach this goal, the Agency sponsors several programs to assist employees who want to become a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Accountant (CISA), Certified Fraud Examiner (CFE), Certified Government Financial Manager (CGFM), or other recognized professional certification. Budgetary constraints and mission requirements may limit the number of participants and available support.

3. Definition. An Agency-sponsored course is one that has been tailored to meet the needs of the Agency, tuition is funded by the Agency, and attendance is limited to Agency and/or internal review personnel only.

4. Enrollment Criteria. Personnel who want to take an examination review course at Government expense should adhere to the following criteria:

- Requests for enrollment need to be processed through the supervisory chain and documented on a DD Form 1556 **prior to enrollment**.
- The review course requested must be recorded as a training need on the individual's IDP.
- The review course can be either self-paced, such as MicroMash or Gleim/Flesher or classroom instruction through a recognized contractor like Becker or Yaeger Lambers. However, funding levels may restrict participation in courses such as Becker.
- Employees taking a review course (to include MicroMash) will not be authorized any study time during duty hours.
- Any employee who has taken advantage of an Agency-sponsored review course and has passed at least two parts of the examination will be permitted to apply for another review course at Government expense. **Administrative leave will be granted for the second sitting**.
- General Accounting Office guidance governing award of CPE credit hours will be used to compute classroom and self-study training time.
- Any employee who takes advantage of an Agency-sponsored review course **must sit for the next scheduled examination**.

5. Selection Criteria. Deputy Auditors General and Program Directors have final approval authority on who is selected to attend Agency-sponsored courses. In making the selections, they will use the following guidelines:

- Available funding.
- Mission requirements.
- Individual being fully qualified to sit for the state examination.
- The individual's past performance.
- Annual rater/senior rater recommendations.
- Successful completion of probationary period.

- Long/short term goals on the individual's IDP.
- Total training hours accrued to date for the individual.
- The individual's need for other training that is of a higher priority, i.e., matrix training or training to correct a deficiency.

6. Probationary Employee Participation in Certification Review Programs. Employees must have six months of satisfactory performance to be accepted for reimbursable certification courses. No on-the-job study time is authorized for certification courses (this applies to **all** employees). Reimbursement for certification courses for all employees will be based on passing parts or all of the certification qualifying tests.

7. Attendance. Supervisors responsible for approving an employee's attendance at a review course must ensure that the employee can be stabilized with respect to mission travel. Employees who are enrolled in a Government funded review course are expected to maintain regular attendance and active participation in the program.

8. Funding. The following policy and procedures will be used to pay for Agency-sponsored review courses:

- The Training and Professional Development Branch is responsible for funding Agency-sponsored certification examination review courses.
- The Training Branch will fund the CPA, CIA and CISA MicroMash site licenses as well as each of the review programs.
- Department of the Army regulations prohibit reimbursement of any costs associated with the actual taking of the examination.

9. Sitting for the Examination. For those individuals who will be taking the examination, the following applies:

- Employees must contact the state in which they wish to sit for the examination to determine any special requirements imposed by that state.
- Individuals planning to sit for a state examination are reminded that long-lead time notification is required in order to register for the examination. Once acceptance to sit for the examination has been received, a copy of the examination notice will be forwarded to the Training Branch.
- Up to three (3) days of administrative leave may be granted to an employee to sit for the examination. If at least two parts of the examination are passed on the initial sitting, a second attempt will be approved with administrative leave granted.

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CHAPTER 13

DEVELOPMENTAL ASSIGNMENTS

1. Purpose. This chapter establishes criteria and procedures for candidate selection, placement, and evaluation of both internal and external developmental assignments.

2. Definition. Developmental assignments can be either internal or external. Internal developmental assignments are normally 120 days or less in duration and have set goals/objectives established for the assignment. Some external developmental assignments may be of a longer duration. The primary difference between developmental assignments and reassignments/permanent change of station (PCS) is that the developmental assignment has an expected performance outcome. The expected performance outcome is based upon the mutually agreed upon objectives developed prior to the assignment. Although reassignments and permanent change of station are developmental in nature and offer experiential opportunities, they lack the structure designed into a developmental assignment. Additionally, developmental assignments differ from reassignments in that they are different in kind and scope from an employee's normal job duties.

3. External Developmental Assignments. Developmental opportunities are offered periodically by the Office of the Assistant Secretary of the Army, Financial Management and Comptroller. Participation by all Agency personnel in the GS-500 comptroller career series to include GS-343/345 is encouraged. Eligibility, application procedures and specific information on these programs will be forwarded to activities and field offices as they are announced by the Assistant Secretary of the Army, Financial Management and Comptroller's Office. In addition to developmental opportunities in the comptroller series, there are also various developmental assignments offered by other DA/DOD entities which are open to all Agency employees. Announcements are sent Agency-wide for applications and all employees are encouraged to participate in these programs.

4. Internal Developmental Assignments. These are developmental opportunities which are offered within the Agency, and are open to all employees. Agency developmental assignments, like those offered by DA/DOD, are intended to expand and enhance Agency employees' professional skills and provide a better overall understanding of the Agency's mission, role, and operations. The development of objectives for the employee plays a key role in the success of the assignment.

5. Selection Criteria. All employees who wish to be considered as a candidate for a developmental assignment will be subject to the following criteria:

- Individual need.
- No adverse impact on mission if selected.
- Level of performance.
- Successful completion of probationary period.
- Long/short term goals on the individual's IDP.
- Not scheduled for long-term training.

a. For those auditors seeking an audit/developmental assignment in the Operations Center, with concurrent attendance at an Agency-sponsored CPA review course, the following additional conditions must be met:

- Have not previously taken a Government-funded review course.
- Be eligible to sit for the CPA examination in their state of choice.

6. Tracking Developmental Assignments. All employees who are selected for an internal or external developmental assignment must complete USAAA Form 508 and forward it to the Training Branch within 5 working days of notification of selection.

7. Weekend Return. All employees on an internal and external developmental assignment will be authorized one weekend return home every four weeks. However, a cost analysis must be conducted for each employee on a developmental assignment to determine if it is more cost effective for the employee to remain at the TDY site or return home every weekend during the assignment period.

8. Evaluation. All Agency employees on an internal developmental assignment will have the assignment objectives entered into TAPES. At the end of the assignment, the completed form will be forwarded to the individual's supervisor. For auditor personnel, a Form 440 will be filled out in addition to TAPES and forwarded to the supervisor.

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APPENDIX A

AUDITOR TRAINING PROFILE

The purpose of this appendix is to provide suggested training and education for professional growth and career enhancement. The appendix is broken out by grade from the GS 15 through the GS-12 grade levels and provides suggestions for technical, professional and managerial training at each level. Although not mandatory for promotion consideration, agency auditors are strongly **encouraged** to attain the following credentials:

THE GS-15 AUDITOR:

- Have an advanced degree
- Hold a professional certificate
- Be a Sustaining Base Leadership Management graduate
- Have completed at least one executive level training program
- Be a functional area expert (experience and formal training)
- Be an active member in a professional organization

THE GS-14 AUDITOR:

- Hold or be working toward an advanced degree
- Be a Sustaining Base Leadership Management graduate
- Hold or be working toward a professional certificate
- Be an active member in a professional organization
- Have completed functional area training
- Have leadership/managerial training scheduled or completed

THE GS-13 AUDITOR:

- Be a Sustaining Base Leadership Management graduate or nominee
- Have multi-functional expertise training schedule or completed
- Have an advanced degree or working toward degree completion
- Have a professional certificate or working toward attainment of certificate
- Be an active member in a professional organization

THE GS-12 AUDITOR:

- Completed matrix training
- Be building multi-functional expertise through formal training and experience
- Be an active member in a professional organization
- Pursue an advanced degree and professional certification

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APPENDIX B

AUDITOR TRAINING MATRIX BY GRADE

This appendix is designed to provide suggested training and education for professional growth and career enhancement. The appendix is broken out by grade level, by year-in-grade and provides suggestions for technical, professional, and managerial training.

AUDITOR TRAINEE (GS-5/7)

Training	Training Days	CPE HOURS**
New Hire Orientation	03	(c)
Audit Process - Basic	10	80
Agency Software Training (MS Office Suite 97)	05	40
Agency Training Workshops	Varies	(b)
Participation in Professional Organizations	Varies	(b)
On-The-Job Training	00	(c)

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INTERMEDIATE AUDITOR (GS-9/11) (YEAR 1)

Training	Training Days	CPE HOURS**
Intermediate Auditor Tracks	05	40
Developmental Assignment **(1)**	00	(c)
Participation in Professional Organizations	Varies	(b)
Agency Training Workshops	Varies	(b
On-The-Job Training	00	(c)

INTERMEDIATE AUDITOR (GS-9/11) (YEAR 2)

Training	Training Days	CPE HOURS**
Basic Communications	05	36
Statistical Sampling (Correspondence Course) **(3)**	Varies	20

Development Assignment **(1)**	00	(c)
Agency Training Workshops	Varies	(b)
Participation in Professional Organizations	Varies	(b)
Functional Area Training **(5)**	Varies	Varies
On-The-Job Training	00	(c)

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SENIOR AUDITOR (GS-12) (YEAR 1)

Training	**Training Days**	**CPE HOURS****
Senior Auditor Tracks	05	40
Functional Area Training **(5)**	Varies	Varies
Developmental Assignment **(1)**	00	(c)
Agency Training Workshops	Varies	Varies
Participation in Professional Organizations	Varies	(b)
Correspondence Courses **(3)**	Varies	(d)

SENIOR AUDITOR (GS-12) (YEAR 2)

Training	**Training Days**	**CPE HOURS****
Advanced Communications	03	40
Audit Leadership Course	05	40
Functional Area Training **(5)**	Varies	Varies
Developmental Assignment Organizations**(1)**	00	(c)
Correspondence Courses **(3)**	Varies	(d)
Team Leader/Basic Supervisory Training **(4)**	Varies	(b)
Agency Training Workshops*	Varies	(b)
Post-Graduate Course Work	Varies	(e)

SENIOR AUDITOR (GS-12) (YEAR 3)

Training	**Training Days**	**CPE HOURS****
Advanced Audit Techniques Computer Training	5	40
Audit Leadership Course	5	40
Functional Area Training(5)	Varies	Varies
Developmental Assignment (1)	00	(c)
Participation in Professional Organizations	Varies	(b)

Correspondence Courses **(3)**	Varies	(d)
Team Leader/Basic Supervisory Training **(4)**	Varies	(d)
Agency Training Workshops*	Varies	(b)
Post-Graduate Course Work	Varies	(e)

SENIOR AUDITOR (GS-12) (YEAR 4)

Training	Training Days	CPE HOURS**
Senior Auditor Tracks	05	40
Audit Leadership Course	05	40
Functional Area Training **(5)**	Varies	Varies
Developmental Assignment **(1)**	00	(c)
Participation in Professional Organizations	Varies	(b)
Correspondence Courses **(3)**	Varies	(d)
Team Leader/Basic Supervisory Training **(4)**	Varies	(b)
Post-Graduate Course Work	Varies	(e)

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AUDIT SUPERVISOR (GS-13) (YEAR 1)

Training	Training Days	CPE HOURS**
Supervisory Development Course (Correspondence) - Phase I *** **(3)**	Varies	40
Leadership Education and Development **(LEAD)** Course - Phase II **(6)**	05	40
Functional Area Training **(5)**	Varies	Varies
Participation in Professional Organizations	Varies	(b)
Agency Training Workshops*	Varies	(b)

AUDIT SUPERVISOR (GS-13) (YEAR 2)

Training	Training Days	CPE HOURS**
Audit Process - Advanced	05	40
Functional Area Training **(5)**	Varies	Varies
Developmental Assignment **(1)**	00	(c)
Participation in Professional Organizations	Varies	(b)
Agency Training Workshops *	Varies	(b)

Correspondence Courses **(3)**	Varies	(d)
Sustaining Base Leadership Management	70	560
Post-Graduate Course Work	Varies	(e)
Instructor Training	05	40

AUDIT SUPERVISOR (GS-13) (YEAR 3)

Training	Training Days	CPE HOURS**
Advanced Audit Techniques	05	40
Functional Area Training **(5)**	Varies	Varies
Developmental Assignment **(1)**	00	(c)
Participation in Professional Organizations	Varies	(b)
Agency Training Workshops *****	Varies	(b)
Correspondence Courses **(3)**	Varies	(d)
Supervisory Training **(2)**	Varies	(b)
Sustaining Base Leadership Management	70	560
Post-Graduate Course Work	Varies	(e)

AUDIT SUPERVISOR (GS-13) (YEAR 4)

Training	Training Days	CPE HOURS**
Audit Process - Advanced	05	40
Functional Area Training **(5)**	Varies	Varies
Developmental Assignment **(1)**	00	(c)
Participation in Professional Organizations	Varies	(b)
Agency Training Workshops *****	Varies	(b)
Correspondence Courses **(3)**	Varies	(d)
Supervisory Training **(2)**	Varies	(b)
Sustaining Base Leadership Management	70	560
Post-Graduate Course Work	Varies	(e)

AUDIT SUPERVISOR (GS-13) (YEAR 5)

Training	Training Days	CPE HOURS**
Functional Area Training **(5)**	Varies	Varies
Developmental Assignment **(1)**	00	(c)
Participation in Professional Organizations	Varies	(b)
Agency Training Workshops *****	Varies	(b)
Correspondence Courses **(3)**	Varies	(d)

Supervisory Training **(2)**	Varies	(b)
Sustaining Base Leadership Management	70	560
Post-Graduate Course Work	Varies	(e)

AUDIT SUPERVISOR (GS-13) (YEAR 6 PLUS)

For those GS-13 auditors who remain in-grade beyond 5 years, the following training matrix is recommended:

- Audit Process - Advanced: Repeated at 8th year of time-in-grade
- Developmental Assignments
- Functional Area Training
- Agency Training Workshops: As available
- Participation in Professional Organizations: Annually
- Supervisory Training: At least one course annually
- Postgraduate college course work: As applicable
- Correspondence courses: Recommended annually
- Professional Certificate

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AUDIT MANAGER (GS-14) (YEAR 1)

Training	Training Days	CPE HOURS**
Audit Management School	05	40
Developmental Assignment **(1)**	00	(c)
Professional Development Seminars	03	(b)
Agency Workshops*	Varies	(b)
Instructor Training	05	40
Participation in Professional Organizations	Varies	(b)
Self-Paced Instruction **(3)**	Varies	(d)
Managerial Training **(2)**	Varies	Varies
Functional Area Training **(5)**	Varies	Varies
Post-Graduate Course Work	Varies	(e)

AUDIT MANAGER (GS-14) (YEAR 2)

Training	Training Days	CPE HOURS**
Functional Area Training **(5)**	Varies	(b)
Instructor Training	05	40
Developmental Assignment **(1)**	00	(c)

Participation in Professional Organizations	Varies	(b)
Agency Workshops*	Varies	(b)
Self-Paced Instruction **(3)**	Varies	(d)
Managerial Training **(2)**	Varies	(b)
Post-Graduate Course Work	Varies	(e)

AUDIT MANAGER (GS-14) (YEAR 3)

Training	Training Days	CPE HOURS**
Functional Area Training **(5)**	Varies	(b)
Developmental Assignment **(1)**	00	(c)
Participation in Professional Organizations	Varies	(b)
Agency Workshops*	Varies	(b)
Self-Paced Instruction **(3)**	Varies	(d)
Managerial Training **(2)**	Varies	(b)
Post-Graduate Course Work	Varies	(e)

AUDIT MANAGER (GS-14) (YEAR 4)

Training	Training Days	CPE HOURS**
Audit Management School	05	40
Functional Area Training **(5)**	Varies	(b)
Developmental Assignment **(1)**	00	(c)
Participation in Professional Organizations	Varies	(b)
Agency Workshops*	Varies	(b)
Self-Paced Instruction **(3)**	Varies	(d)
Managerial Training **(2)**	Varies	(b)
Post-Graduate Course Work	Varies	(e)

AUDIT MANAGER (GS-14) (YEAR 5)

Training	Training Days	CPE HOURS**
Functional Area Training **(5)**	Varies	(b)
Developmental Assignment **(1)**	00	(c)
Participation in Professional Organizations	Varies	(b)
Agency Workshops*	Varies	(b)
Self-Paced Instruction **(3)**	Varies	(d)
Managerial Training **(2)**	Varies	(b)
Post-Graduate Course Work	Varies	(e)

AUDIT MANAGER (GS-14) (YEAR 6 PLUS)

For those GS-14 auditors who remain in-grade beyond 5 years, the following training matrix is recommended:

- Functional Area Training
- Audit Management School: Repeated at 8th year of time-in-grade
- Participation in Professional Organizations: Annually
- Managerial Training: At least one course annually
- Agency Workshops: Annually
- Postgraduate college course work: As applicable
- Correspondence courses: Recommended annually
- Graduate Degree
- Professional Certificate

The matrix provides a list of desirable training courses. As such, the above list of training courses with associated CPE credit hours is intended as an example, but is not limited to those courses shown.

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GS-15 AUDITOR

Training	**Training Days**	**CPE HOURS****
Center for Creative Leadership ***	05	44
GM-15/Audit Workshops*	Varies	Varies
Participation in Professional Organizations	Varies	(b)
Executive development Seminar	10	80
Federal Executive Institute	10	80
Organizational Leadership for Executives	10	80
SES Candidate Development Program: ***		
--Strategic Planning and Executive Leadership	03	24
--Administering Money and Material Resources	03	24
--Utilizing Human Resources	03	24
--Reviewing Implementation and Results	03	24
Brookings Institute		
--New Directions in National Policy Making	06	48

--Emerging Issues in Public Management	05	40
--Understanding Business Policy and Operations	06	48
--Executive Leadership in a Changing Policy Environment	06	48
Personnel Management for Executives (PME) II	10	80
Harvard University:		
--Senior Executive Fellows Program	40	320
Syracuse University/John Hopkins:		
Executive Program in National/International Policy	10	80
Effective Leadership Seminar	03	24
Capitol Hill Workshop	03	24
White House Workshop	03	24
Government Executive Institute	Varies	(b)
Force Integration	04	32
Advanced Management Seminar	06	52
Managing Organizational Change	03	24
Managing Your Management Career	03	24
Managerial Competencies for Executives	10	80

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Explanation of Footnotes

SENIOR EXECUTIVE SERVICE

Training	Training Days	CPE HOURS**
Center for Creative Leadership ***	05	44
Executive Report Writing	02	16
Professional Development Seminars	2 1/2	(b)
Participation in Professional Organizations	Varies	(b)
Executive Development Seminar	10	80
Federal Executive Institute	10	80

MANDATORY **SES Candidate Development Program: *** **		
--Strategic Planning and Executive Leadership	03	24
--Administering Money and Material Resources	03	24
--Utilizing Human Resources	03	24
--Utilizing Human Resources	03	24
--Reviewing Implementation and Results	03	24
Brookings Institute:		
--New Directions in National Policy Making	06	48
--Emerging Issues in Public Management	05	40
--Understanding Business Policy and Operations	06	48
--Executive Leadership in a Changing Policy Environment	06	48
Harvard University:		
--Senior Executive Fellows Program	40	320
-- Senior Managers in Government	20	160
Syracuse University/John Hopkins:		
Executive Program in National/International Policy	10	80
Carnegie Mellon		
-- Program for Executives	26	176
Capitol Hill Workshop	03	24
White House Workshop	03	24
Government Executive Institute	Varies	(b)
Force Integration for Generals Officers and SES Officials***	05	40

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Explanation of Footnotes

EXPLANATION OF FOOTNOTES:

The following are explanations of the footnote annotations found throughout Appendix B of USAAAR 600-21:

*** Agency Training Workshops:** Suggested workshop topics have been geared to the grade level of the target audience. However, these are suggested topics and workshops may include any training topic which is relevant to the audit mission. **Suggested Workshop Topics:** Advanced Audit Techniques, Audit-By-Objectives, Audit Planning Process, Command Relations, Developing Causes, Effective Briefing Techniques, Employee Counseling, Fraud and Mismanagement, Internal Controls, Command Replies, Potential Monetary Benefits, Quality Assurance Reviews, Report Timeliness, Review and Revision of Findings, Supervisory Review of Work Papers, and Trends in Governmental Auditing.

**** Continuing Professional Education:** The CPE credit hours assigned to the recommended training is in accordance with the Yellow Book standards.

******* Identified as Civilian Leadership Training Common Core essential courses.

(a) Mandatory course for newly-promoted GS-13's. If this course was taken at the GS-12 level, another supervisory course will be chosen.

(b) 1 CPE hour will be awarded for each 50 minutes of qualifying instruction.

(c) Does not qualify for award of CPE credit.

(d) CPE credit will be given when participant satisfactorily completes the program. If the program has been pre-tested by the vendor/sponsor to determine average completion time, CPE should be granted in an amount equal to the average completion time. If the program has not been pre-tested, participants may be granted CPE hours in an amount equal to one - half of the time they actually spent on the program.

(e) 15 CPE credit hours awarded for each semester hour completed in a qualifying subject.

(f) Available through the OPM National Independent Study Center (NISC).

(g) Available through the U.S. Department of Agriculture Graduate School Correspondence Program.

(h) Available through the U.S. Army Correspondence Course Program, USATSC, Ft. Eustis, VA.

(1) Developmental Assignments: Developmental assignments are shown as suggested training for every year in each grade category in the matrix. The reason for this is that these assignments can occur at any time during an auditor's career. However, developmental assignments will be based upon the needs of both the Agency and the individual. Developmental assignments do not count against training days and are not eligible for CPE credit.

(2) Supervisory/Managerial Training: This training is recommended to enable our auditors in supervisory/managerial positions to be more effective and to prepare them for future positions which require higher levels of competency in this area. Training may be in the form of self-paced courses or formal training.

Suggested Supervisory/Managerial Training:

Subject	Training Days	CPE Hours**
Sustaining Base Leadership Management	70	560
Introduction to Supervision	05	40(a)
Management Functions and Techniques	05	40
Supervision and Group Performance	05	40
Force Integration	04	32
Effective Leadership Seminar	05	40
Seminar for New Managers	10	80
Syracuse University	280	2240
Advanced Management Seminar	06	52
Organizational Leadership for Executives	10	80
Management Development Seminar	10	80
Capitol Hill Workshop	03	24
White House Workshop	03	24
Seminar for Managerial Competencies	10	80

Suggested Supervisory Correspondence Courses:

Subject	Training Days	CPE Hours**
Applied Supervision	Varies	24 (e)
Assertive Supervision	Varies	(e)
Dealing with the Public	Varies	(e)
Solving Performance & Conduct Problems	Varies	(e)
Success-Oriented Supervision	Varies	(f)
Effective Work Delegation	Varies	24(e)
Managing Problem Employees	Varies	24(e)
Time Management	Varies	24(e)
Modern Supervisory	Varies	24(f)
Work Objectives	Varies	24(f)
CPA Review Exam	Varies	(h)

(3) Self-Paced/Correspondence Courses: Courses which are taken by Agency personnel on their own time or, in certain instances when approved, during duty hours. Currently, Statistical Sampling, the Supervisory Development Course - ST5000, and the Management Development Course - ST6000, are required self-paced

courses. **Subjects available range from supervisory/managerial topics to a wide range of functional area subjects.** Due to fiscal constraints, all Agency employees should utilize this cost effective training medium.

(4) Team Leader Training: Formal and self-paced courses which provide team leader/basic supervisory skills training. The Agency's philosophy is to provide the GS-11 and GS-12 auditor with basic supervisory skills to enable them to be more effective in their duties.

Suggested Team Leader/Basic Supervisory Training:

Subject	Training Days	CPE Hours**
Management Functions and Techniques	05	40
Supervision and Group Performance	05	40
Force Integration	04	32

Suggested Team Leader/Basic Supervisory Correspondence Courses:

Subject	Training Days	CPE Hours**
Applied Supervision	Varies	24 (e)
Assertive Supervision	Varies	(e)
Dealing with the Public	Varies	(e)
Solving Performance and Conduct Problems	Varies	(e)
Success-Oriented Supervision	Varies	(f)
Effective Work Delegation	Varies	24(e)
Managing Problem Employees	Varies	24(e)
Time Management	Varies	24(e)
Modern Supervisory	Varies	24(f)
Work Objectives	Varies	24(f)
CPA Review Exam	Varies	(h)
Federal Government Accounting I	Varies	(f)
Federal Government Accounting II	Varies	(f)
Supervisory Development Course - Phase I	Varies	40 (g)

(5) Functional Area Training: All auditors should receive in functional areas. The functional area training taken should coincide with the primary mission of the installation assigned or principal audit assignment(s). The functional areas of acquisition and logistics now require certification, which involves specific training courses.

(6) Leadership and Development (LEAD) Course: Mandatory for all newly

promoted GS-13's. This 1-week, 40-hour course is offered through the Pentagon Civilian Personnel Administration Center (CPAC) and various other installations throughout the US.

The matrix provides a list of desirable training courses. As such, individuals should not expect to attend all courses listed. Also, the above list of training courses with associated CPE credit hours is intended as an example, but is not limited to those courses shown.

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APPENDIX E
ON-THE-JOB TRAINING PLAN AND RECORD

PART I - ADMINISTRATIVE DATA

1.This on-the-job training plan and record of accomplished training is for _____.

2.This form covers the on-the-job training for the following audit (s):

a. Audit title and assignment number: _____
_____

b. Audit title and assignment number _____
_____

c. Audit title and assignment number _____
_____

d. Audit title and assignment number _____
_____

3. I, the level 1 Supervisor, have reviewed the on-the-job training plan and agree that the designated subjects can be covered on this assignment.

a. Designated Subjects _____

Signature _____ Date _____

b. Designated Subjects _____

Signature _____ Date _____

c. Designated Subjects _____

Signature _____ Date _____

d. Designated Subjects _____

Signature _____ Date _____

4. Date plan is discussed with auditor.

a. Date _____

Auditors initials _____ Auditor-in-charge initials _____

b. Date _____

Auditors initials _____ Auditor-in-charge initials _____

c. Date _____

Auditors initials _____ Auditor-in-charge initials _____

d. Date _____

Auditors initials _____ Auditor-in-charge initials _____

5. Dates assigned to audit.

1. From _____ To: _____
2. From _____ To: _____
3. From _____ To: _____
4. From _____ To: _____

6. Grade level when assigned.

a. GS- _____ Assignment # _____ AIC Initials _____

b. GS- _____ Assignment # _____ AIC Initials _____

c. GS- _____ Assignment # _____ AIC Initials _____

d. GS- _____ Assignment # _____ AIC Initials _____

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PART II - TRAINING AREAS

The training areas listed are from the Army Civilian Training, Education and Development System (ACTEDS) plan for auditors. Training in these areas will help the U.S. Army Audit Agency maintain a competent and effective professional audit staff. The letters from Part I, paragraph 2 referencing the audit assignment should be entered in the Assignment Number Column. These entries will represent the

on-the-job training plan for that audit. When completed, the employee and AIC will initial and date in the column of the area covered. Completing the training on the assigned area in itself won't ensure the employee will receive a met of better performance rating. Mid-job (if applicable) and end-of-job ratings on USAAA form 440 will be based on the employee's performance.

		Completed
		Employee/
	Assignment	AIC
	No.	Initials Date
1. **General Training**.		
a. Audit by Objectives. (USAAAR 36-91)	_____	_____
b. Safeguarding classified data (AR 380-5, USAAAR 1-206-1)	_____	_____
C. Auditing standards and how they relate to operational auditing. (GAO Government Auditing Standards, USAAAR 36-12)	_____	_____
d. DOD Auditor Practices and Procedures. (DOD Internal Audit Manual)	_____	_____
e. Army Internal Management Control Program. (AR 11-2, USAAAR 36-62)	_____	_____
f. Agency's Quality Assurance Program. (USAAAR 36-62)	_____	_____
2. **Audit Competencies**		
a. Preparing Workpapers. (USAAAR 36-72)	_____	_____
b. Identifying audit evidence and performing audit test. (Government Auditing Standards)	_____	_____
c. Gathering audit evidence. (USAAARs 36-57, 36-100 and 36-101)	_____	_____

d. Developing and executing audit programs. (USAAAR 36-73)	_____	_____
e. Learning about auditee's organization and operations. (USAAAR 36-57)	_____	_____
f. Conducting evaluations using policy documents. (Trailer explains how to use DOD, Army and MACOM regulations ad policy documents.)	_____	_____
g. Identifying and developing key elements of a finding. (USAAAR 36-53)	_____	_____
h. Writing in active voice. (Bailey Book, USAAARs 36-53 and 36-72)	_____	_____
i. Preparing and using audit lead sheets. (USAAAR 36-67)	_____	_____
j. Identifying the need for and using advanced audit techniques. (Trainer identifies techniques and potential applications using USAAARs 36-100 and 36-101)	_____	_____
k. Maintaining liaison and coordinating with Army managers. (USAAARs 36-27 and 36-78)	_____	_____
l. Keeping audit management and auditee managers informed of results. (USAAAR 36-31)	_____	_____

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ON-THE-JOB TRAINING

TRAINER'S GUIDE

AREA: Audit Competencies

TASK: Preparing Workpapers

REFERENCE (S) NEEDED: USAAA Form 420, OJT Plan and Record

USAAAR 3-72 (Revised 31 January 1992)

As a minimum, the following key elements should be covered for this task. The employee should demonstrate an understanding of the elements by written products or verbal explanation.

- General Standards of Preparation

  - Definition and Purpose of Working Papers (p.2)

  - Standards and Policy (p. 2)
- Evidence

  - Categories of Evidence (pp. 3-4)

  - Physical

  - Testimonial

  - Documentary

  - Analytical

  - Standards of Evidence (pp. 4-5)

  - Sufficiency

  - Competence

  - Relevance
- Planning and Uniformity (pp. 5 - 10)

  - Planning

  - Completeness and Accuracy

  - Access to Information

  - Clarity and Understanding

  - Plain English

  - Legibility and Neatness

  - Relevance

  - Size and Color

  - Timeliness

- Data Obtained from the Audited Activity
- Evidence Not Used in the Audited Report
- Regulatory Documents
- Assembly in Files
- Classified Working Papers

- Arrangement of Working Papers (pp. 10-11)
  - Background (Permanent) Files
  - Current Files
- Documentation and Content (pp. 11-14)
  - Working Paper Identification Data
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DEPARTMENT OF THE ARMY
U. S. ARMY AUDIT AGENCY
OPERATIONS CENTER
ALEXANDRIA, VA 23202-1596

USAAA REGULATION NO. 600-67	1 DECEMBER 1998

HUMAN RESOURCES ADMINISTRATION CIVILIAN EMPLOYEE EXIT INTERVIEW AND CLEARANCE REQUIREMENTS

Purpose

Applicability

Policy

Procedures

Appendix A - Clearance Form

Appendix B - Questionnaire for Employees Leaving the Agency

Appendix C - Exit Interview Results

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PURPOSE. To establish procedures to be followed before departure of U.S. Army Audit Agency civilian employees due to separation from Federal service, transfer to other Federal agencies, and interagency position changes.

APPLICABILITY. This regulation applies to all Agency employees. For employees who are assigned to positions located outside the continental United States, local management officials will supplement specific requirements for each location as required.

POLICY

a. The clearance of civilian personnel, recoupment of outstanding travel payments, and execution of the exit interview are a joint responsibility of management, individuals responsible for functions where clearances are required, and the departing employee.

b. Employees who change positions within the Agency may also be required to liquidate outstanding advances and/or repay monies associated with Permanent Change of Station (PCS) moves.

PROCEDURES

a. **SF 52 (Request for Personnel Action).** The field office manager or other management designee will submit a Standard Form 52 (Request for Personnel Action) to the servicing personnel specialist as soon as it is known that an employee is leaving.

- When an employee is leaving AAA to go to another Army organization, a SF 52 isn't required. In that instance, e-mail notification to the personnel specialist is sufficient.

- If an employee is resigning, the manager should ask the employee to document the reasons for the resignation on a copy of the SF 52 or a separate document.
- Forwarding addresses are required to facilitate transmittal of documents to the employee.

Managers assigned to the Operations Center will notify PMP-M of known losses. PMP-M will be responsible for entering the action into the automated system, obtaining required signatures, and coordinating the action to the appropriate personnel specialist for processing.

b. **Exit Clearance**

(1) At field locations, the field office manager or a designee will be responsible for overseeing the employee's completion of the entire clearance process. A copy of the clearance form is included at Appendix A, as well as a list of helpful hints for completing the process. If additional assistance is needed in any area, managers should contact the functional process owner. The original copy of the completed form should be forwarded to the servicing personnel assistant not later than 5 working days after the employee's last day of duty.

(2) Departing employees assigned to the Operations Center will complete Section A of the form with their rating supervisor. Sections B, C and D will require direct coordination with the functional proponent listed on the form. The completed form should be provided to PMP-M.

(3) All departing employees are responsible for turning in all classified documents and will self-certify this item on the clearance form. All departees will complete DA Form 2962 (Security Termination Statement and Debriefing Certificate). Also, the Program Director for Intelligence and Security Audits is responsible for debriefing all personnel who have an SCI/SI clearance if they resign, retire or transfer to another organization (except within the metropolitan Washington, D.C. area) or if absent in excess of 60 days. The same personnel must also undergo NATO and other Special Access Program debriefings.

c. **Settlement of Travel Advances/Permanent Change of Station Payments.** All departing employees must ensure that travel settlement claims have been filed for all outstanding TDY and PCS travel. The Defense Finance and Accounting Service has the authority to recoup outstanding travel advances if employees fail to file a settlement voucher within 30 days of drawing the advance.

d. **Exit Interviews**

(1) As a rule, all departing employees will have an exit interview before they leave the rolls. In the field, field office managers or their designee will be responsible for completing the interview. At that point, the employee should be provided a copy of the employee questionnaire included in Appendix B and encouraged to return the completed questionnaire to the AAA Program Manager for Human Resources within 2 weeks of the date of departure. The manager's exit interview should be documented in the format shown in Appendix C and forwarded to the Program Manager for Human Resources immediately after the interview. If there is a reason not to complete the exit interview, the information should be documented on

the form along with a statement indicating whether the manager would recommend the employee to be rehired and why.

(2) For employees leaving the Operations Center, the exit interview will be the responsibility of the rating supervisor. All other procedures apply as described above.

FOR THE AUDITOR GENERAL:

//Signed Stephen E. Keefer//
STEPHEN E. KEEFER
Deputy Auditor General
Policy and Operations Management

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APPENDIX A

CLEARANCE FORM
(click on title for Word Document)

NAME		SEPARATION DATE	
ORGANIZATION US ARMY AUDIT AGENCY, SAAG-		NEW ORGANIZATION	
A. Supervisory	**Initials/Date**	**D. Budget (FOM/ PMP, D. Randon)**	**Initials/Date**
1. Keys (Office, Desk, Files, etc.)		1. Indebtedness	
2. Final Work Clearance		2. Travel Advance	
3. Time and Attendance		3. Travel Vouchers	
4. Performance Appraisal		4. Payroll	
5. Exit Interview		**E. Automation**	
6. Employee Questionnaire		Network & TAMS IDs	
B. Administrative (FOM/PMP, M. Norris)		**F. Personnel (FOM/ Personnel Assistant)**	
1. DOD Directory Change (NCR only)		1. Health Insurance	
2. Accountable Property		2. Life Insurance	

3. Building Pass/ID		3. Unemployment Compensation	
4. Government Credit Card		4. Leave Entitlements	
5. Telephone Credit Card		5. Retirement Refund Provisions	
C. Security (FOM/AFI/ PMP, M. Norris)		6. Post Employment Restriction	
1. DA Form 2962 Debrief		7. Exec Personnel Financial Disclosure	
2. SCI Debrief		8. Reinstatement Eligibility	
3. Special Access Program Debriefs		9. Location of OPF	
4. NATO, CNWDI, etc. Debriefs		10. Transportation Agreement	
		11. Thrift Package	

FORWARDING ADDRESS	
Street Address:	
City/State/Zip	

Supervisor Signature		Date	
Employee Signature		Date	
Personnelist Signature		Date	

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TIPS FOR COMPLETING CLEARANCE FORM

Supervisory Section

- Collect all keys, badges, passes, etc.
- Make sure all time and leave charges are current.
- Make sure the employee receives any appraisals due.

Administrative Section

- Collect any applicable parking permits.
- Collect any accountable property (computers, etc.). Make sure that the notebook that is turned in has the memory it is supposed to have and that the two (in most cases) PCMCIA cards (modem and network interface card) and associated cables are present. Compare the property turned in with the hand receipt. Even non-serial numbered items are on the hand receipt.
- Collect government credit card if the employee is leaving government.

Security Section

- Counsel and prepare debriefing statement (if applicable).
- Make sure employees with SCI/SI clearances are debriefed by AFI.

Budget Section

- Make sure that travel vouchers are processed for repayment of debt or travel advance.

Automation Section

- Make sure needed official records (audit or administrative) are transferred to the employee's immediate supervisor.
- Notify the Help Desk (preferably by e-mail) of the date the employee is outprocessing so that the employee's network, e-mail and TAMS accounts and their H drive can be eliminated.

Personnel Section

- If leaving the Federal Government, the employee should contact a personnel assistant for continuation of benefits information. If the employee is going to other Federal employment, health benefits will transfer with the employee.
- If leaving the Federal Government, life insurance terminates. If the employee is going to other Federal employment, life insurance will transfer with the employee.
- If they believe they are entitled to unemployment compensation, employees should check with the local State employment office for information.
- If leaving the Federal Government, employees will be paid a lump sum for any annual leave balance. Sick leave will be restored if they return to Federal service. If they are going to other Federal employment, their leave balances will transfer with them but it generally takes a few months. They should submit a copy of their last leave and earnings statement to their new organization to establish temporary balances.
- If leaving the Federal Government, contact a personnel assistant to find out about retirement contributions. If going to other Federal employment, the retirement contribution balance will be forwarded to OPM and a new account balance will begin with the employment period at the next activity.
- Scan 5CFR2637 to brief them on post employment restrictions. Refer questions to Office of Counsel.
- If leaving the Federal Government, employees have reinstatement eligibility. Career employees and veterans may be reinstated indefinitely; career-conditional employees may be reinstated up to 3 years from the date of their separation. Employees apply for reinstatement directly to the agency they wish to work for.
- If leaving the Federal Government, the employee's official personnel file will be retired to the civilian personnel records center in St. Louis, MO. If going to other Federal

employment, their official personnel file will be sent to that agency.

- Check to see if the employee has signed a transportation agreement and if terms have been met.
- Include forwarding address on clearance form.

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APPENDIX B

QUESTIONNAIRE FOR EMPLOYEES LEAVING THE AGENCY

(click on title for Word Document)

Information Concerning Your Employment History:

- What date did you leave the Agency?
- What office were you assigned to?
- What was your title, series and grade?
- How long did you work for AAA (years/months)?
- How many years experience did you have in your occupation (years/months)?

Why did you decide to leave the Agency?

Were there any changes, etc. that might have caused you to stay?

Did you discuss these options with management? If so, what were these results?

What did you consider to be the positive aspects of working for AAA?

How often were you counseled on your performance and development?

Do you have any suggestions for improving internal communications?

Would you consider working for AAA in the future? Why/why not?

Are there any additional comments you would like to offer?

Name (Optional)

Return Completed Form Directly To:

Patricia A. Cromer
Program Manager for Human Resources
U. S. Army Audit Agency
393 Llewellyn Avenue
Fort George G. Meade, MD 20755-5375

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APPENDIX C

EXIT INTERVIEW RESULTS

(click on title for Word Document)

Employee Name
Title, Series, Grade
Number Of Years With AAA
Length Of Time At Current Grade
Annual Performance Ratings For The Last 2 Years
Annual Rater/Senior Rater At Loss Date
If Auditor, Ratings On Last Job Appraisal
AIC/Audit Manager On Last Assignment
Loss Date
Gaining Activity

What reasons did the employee give for leaving the Agency?

Would you hire this employee back? Why/why not?

Additional Comments/Suggestions

Exit Interview Not Appropriate – State Reasons

Interview Conducted by

Name/Title

Date

Return Completed Form Directly To:

Patricia A. Cromer
Program Manager for Human Resources
U. S. Army Audit Agency
393 Llewellyn Avenue
Fort George G. Meade, MD 20755-5375

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Title 5--Administrative Personnel

CHAPTER XVI--OFFICE OF GOVERNMENT ETHICS

PART 2637--REGULATIONS CONCERNING POST EMPLOYMENT CONFLICT OF INTEREST

2637.101 Purpose and policy.

2637.102 Definitions.

2637.201 Restrictions on any former Government employee's acting as representative as to a particular matter in which the employee personally and substantially participated.

2637.202 Two-year restriction on any former Government employee's acting as representative as to a particular matter for which the employee had official responsibility.

2637.203 Two-year restriction on a former senior employee's assisting in representing as to a matter in which the employee participated personally and substantially.

2637.204 One-year restriction on a former senior employee's transactions with former agency on a particular matter, regardless of prior involvement.

2637.205 Limitation of restrictions of 18 U.S.C. 207(c) to less than that whole of a department or agency.

2637.206 Exemption for scientific and technological information.

2637.207 Exemption for persons with special qualification in a technical discipline.

2637.208 Testimony and statements under oath or subject to penalty of perjury.

2637.209 Partners of present or former Government employees.

2637.210 Officials of a State; officials of corporations created by an Act of Congress and public international organizations.

2637.211 Standards and procedures for designating senior employee positions pursuant to 18 U.S.C. 207(d).

2637.212 Administrative enforcement proceedings.

2637.213 Effective date of restrictions.

2637.214 Separate statutory agencies: Designations.

2637.215 Separate components of agencies or bureaus: Designations.

2637.216 ``Senior Employee'' designations.

DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY AUDIT AGENCY
ALEXANDRIA, VIRGINIA 22302-1596

USAAA Regulation Number 690-1 **24 February 1995**

Civilian Personnel

HOURS OF DUTY, TIME AND LEAVE ADMINISTRATION

- Purpose and Applicability
- Work Schedules
- Alternative Workplace Arrangements (Flexiplace)
- Overtime
- Reporting Time and Attendance
- Leave Administration
- Administrative Dismissal of Employees and Designation of Emergency Personnel
- Work Schedule Change Request Form
- OPM Guidelines
- Travel as Hours Worked
- List of References

PURPOSE AND APPLICABILITY. This regulation prescribes guidance and procedures to be followed by the U.S. Army Audit Agency in the areas of work schedules, alternative workplace arrangements (flexiplace), overtime, reporting time and attendance, administering leave, and relieving personnel under emergency conditions. The procedures outlined in this regulation include internal controls which must be followed. **Bold** text is used to highlight important text, and for ease in subject matter reference.

*This regulation supersedes USAAA Regulations 600-27; dated 1 November 1989, 690-28; dated 11 May 1993, 690-29; dated 4 March 1994.

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CHAPTER 1

WORK SCHEDULES

The Auditor General, Deputy Auditor General, Directors, Regional Auditors General, or their designated representatives are authorized, but not required, to use alternative work schedules in all or any portion of their organization. Alternative work schedules are available to all full-time U.S. Army Audit Agency staff members. These officials are authorized to issue local implementing procedures based on the guidance set forth in this handbook.

The mission of the U.S. Army Audit Agency will remain the paramount concern of all personnel. The work schedule guidance provided by this handbook will be implemented in such a manner

that it does not interfere with the effective and efficient accomplishment of the Agency's mission. Supervisors and employees together will schedule their work to ensure its timely accomplishment and adequate coverage of all functions. A sufficient work force must be present to conduct Agency business. A work unit consists of personnel working for an Activity Chief or in a Regional office. An audit team includes the Auditor-in-Charge and below.

The alternative work schedule program described herein is a privilege, not a right, and is available at the supervisor's discretion. Supervisors may change the schedules of employees to meet work requirements. The employee should be informed of the changes and the reasons for them.

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1. RESPONSIBILITIES

a. Supervisors will:

(1) Approve or disapprove employee work schedule requests in accordance with mission requirements.

(2) Exercise the prerogative to regulate the use of alternative work schedules.

(3) Take appropriate corrective action when the system is abused.

(4) Be responsible for the accuracy of charges reflected in timekeeping records.

(5) Ensure that employees are adhering to their approved work schedules.

b. Personnel Management Specialists for the Regions, the Resource Management Division and Personnel and Employment Services-Washington for Headquarters will provide technical guidance, assistance, and advice to supervisors, employees, and time and attendance clerks.

c. Employees will:

(1) Work the hours indicated in their approved work schedule to include the allotted lunch period (minimum of 30 minutes) each workday.

(2) Follow the procedures and act in accordance with the intent of this guidance.

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2. PROCEDURES

Eligible employees may choose one of three work schedules, subject to supervisor approval. The two types of work schedules are:

a. Standard Work Week: A standard work week is 8 hours per day, 5 days per week,

Monday through Friday. For Headquarters the standard work hours are 0730 to 1600 hours. Each Regional Auditor General is responsible for establishing the standard work hours for the Region Office and the field offices.

b. Alternative Work Schedules: Alternative work schedule is a term used to refer jointly to flexitour and compressed work schedules--the only two types of schedules available. An alternative work schedule is one that differs from the basic 40-hour standard workweek. **Alternative work schedules available to Agency employees are**:

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Flexitour Work Schedules

Flexitours are 40-hour work schedules with fixed starting and stopping times Monday through Friday which remain the employee's assigned schedule until superseded by an approved change. Starting time will not be before 0700 hours. Core hours shall be 0900 hours to 1530 hours. Employees may not indiscriminately vary time of arrival and departure from work daily. Any variations from the scheduled flexitour must be preapproved by the employee's supervisor. Eight hours must be worked during the total workday and a lunch break must be scheduled.

Requests to begin flexitour work schedules will be submitted in writing, using Work Schedule Change Request as shown in Appendix A, to the appropriate managers for approval (see local guidance) two weeks before any change in the work schedule is put into effect. **When a flexitour schedule is approved or changed in any way, the approving authority must provide a copy of the approved schedule to the time and attendance clerk for payroll purposes.** The approved schedule will remain in effect until changed, or a minimum of two pay periods. There will be no indiscriminate changing of work hours.

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Compressed Work Schedules

Compressed schedules are those by which employees may, by working longer hours, complete the biweekly basic work requirements in less than 10 workdays. This schedule covers a two-week pay period where the employee works eight 9-hour-days and one 8-hour-day, with one day off scheduled anytime during that biweekly pay period. **Starting time will not be before 0630 hours. Starting time on the 8-hour-day will not begin before 0700 hours. Core hours shall be 0900 hours to 1530 hours.**

Requests to begin compressed work schedules will follow the approval process outlined above. A minimum of 8 hours must be worked during the total work day, and a lunch break must be scheduled.

The Auditor-in-Charge of each audit team must develop and submit, in writing, the staff members' names, and days and times to be worked to the appropriate approving authority before beginning to work the schedule. The approved schedule will remain in effect until changed, or a minimum of two pay periods. Any changes to the schedule must also follow the same approval process. A brief reason for the changed work schedule, e.g., GS/GM-13 school or

work at permanent duty station, should be included. **All initial and change actions must be furnished by the approving authority to the time and attendance clerk for payroll purposes.**

If the audited installation or activity is on a 4-day 10-hour-a-day workweek, members of the audit staff will be allowed to choose to work a 4-day 10-hour-a-day workweek, or a flexitour, compressed, or regular 5-day 8-hour-a-day work schedule in accordance with guidance set forth above.

Employees on a compressed work schedule who attend schools, workshops, or conferences for more than 1 day of the 2-week pay period where the standard workweek (5-day 8-hour-a-day) is being used may revert to the standard workweek for the entire pay period (an exception to the normal 2-pay-period restriction). **An employee may not work a "mix" of standard and compressed work schedules for the pay period.** The employee may choose to remain on a compressed schedule and charge annual leave for the time exceeding the standard 8-hour day. If the attendance is for **only 1 day**, and the employee wishes to remain on their compressed work schedule, they may switch their normal 8-hour day to the day of training for that pay period. Employees scheduled to attend training should fully evaluate their compress work schedule to determine if they can accommodate their day off on the day it is normally taken or whether a change in their schedule is required.

Time reporting (USAAA Form 226 or Monthly 226 Hours - AIMS) will reflect the **actual hours** worked. Hours of work shown on the 226 should be totaled and divided by 8 to determine auditor days. In some cases, an auditor who is on a compressed work schedule may not be able to be assigned to or released from an audit coincidental with the pay period. Every effort should be made to allow the auditor to start or complete the full pay period under the work schedule they were on when released from the job. **For all employees, compressed work schedules are to begin at the start of the pay period.**

When leave is taken on a compressed work schedule (e.g., 9-hour or 10-hour days), a leave slip will be submitted for the exact amount of time scheduled to be worked (e.g., 9 hours or 10 hours).

The following information will be used in determining holidays under alternative (compressed) work schedules:

-**When a holiday falls on a day that an employee is regularly scheduled to work** under either a compressed or flexible work schedule, the scheduled workday is the employee's holiday.

-**When a holiday falls on a non-workday** for an employee covered by a compressed work schedule:

And the **holiday is a Sunday**, the first regularly scheduled workday following the Sunday-holiday is the employee's "in lieu of" holiday; or,

If the **holiday is not a Sunday**, the last regularly scheduled workday preceding the holiday is the employee's "in lieu of" holiday.

If the employee is covered by a compressed work schedule, the employee's holiday will comprise the number of hours the employee is regularly scheduled to work that

day.

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CHAPTER 2

ALTERNATIVE WORKPLACE ARRANGEMENTS (FLEXIPLACE)

The National Performance Review encourages the use of flexiplace since a well-designed flexiplace program is "family friendly" and offers many benefits to employers, employees, and society as a whole. **Within the Agency, the program may be offered to employees in situations where customer service can be assured. The mission of the U.S. Army Audit Agency will remain the paramount concern of all Agency employees.** Flexiplace procedures will be implemented in such a manner that they promote the effective and efficient accomplishment of that mission and customer service.

The Agency may permit employees to work at a location other than the regular office. The location can be at home or at an Agency-approved location other than the office. Flexiplace arrangements are available to all Agency full-time employees. **Although flexiplace will give some employees more time for their family responsibilities, flexiplace is not a substitute for dependent care.**

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1. RESPONSIBILITIES

a. The Auditor General, Deputy Auditor General, Directors, Regional Auditors General, or their designated representatives are authorized, but not required, to approve the use of flexiplace schedules. These approving officials are also authorized to supplement this guidance.

b. Participation in the flexible workplace program is not a right. Management is responsible for deciding if the position is one that is appropriate for offsite work, and for examining both the content of the work and the performance of the employee.

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2. PROCEDURES

a. The employee will submit an application for a flexiplace arrangement to his/her annual rater approximately 30 days before the proposed implementation date. Employees should route the application through their immediate supervisor/level 2 supervisor to the annual rater. Each application will provide a full description of the proposed arrangement, but it must contain at least the following items:

(1) Alternative workplace and a schedule of alternative workplace hours and in-office hours over a 2-week pay period.

(2) The reasons the employee believes that he or she qualifies for alternative workplace arrangements and why their position qualifies for

such arrangements based on the Office of Personnel Management (OPM) guidelines at Appendix B of this handbook.

(3) Explanation of how the flexiplace arrangement will affect productivity, quality of work, and customer service.

(4) Equipment/supplies and projected reimbursable costs (e.g., necessary office supplies and business-related long-distance telephone calls).

b. The employee's annual rater will:

(1) Review the Agency and OPM policy guidance.

(2) Review the application and documentation provided.

(3) Fully discuss the matter with the employee.

(4) Discuss the matter with the employee's immediate supervisor (if different than annual rater).

(5) On the basis of the review and discussions, either concur or nonconcur with the application.

c. The annual rater will then provide the following information to the appropriate approving authority:

(1) The application package.

(2) Reasons for his or her concurrence or nonconcurrence and a determination as to how the employee's work will be accomplished or adversely impacted.

d. The approving authority will:

(1) Review the application package and the annual rater's recommended action.

(2) Approve or disapprove the request.

(3) Notify the employee and the employee's annual rater of his or her decision.

e. If the flexiplace arrangement is approved, an appropriate written agreement is required. The Resource Management Division will assist Headquarters employees/annual raters, and the regional Staff Manager will assist regional employees/annual raters in preparing agreements. Guidelines for preparing an agreement are set forth in OPM guidelines in Appendix B of this handbook. The employee and annual rater will sign and date the approved agreement for use during the arrangement. The annual rater will then provide a copy of the agreement/documentation to Resource Management Division for Headquarters employees or to the Staff Manager for region employees.

f. Supervisors and/or annual raters will periodically review these agreements to determine if their employees are abiding by the flexiplace terms and conditions. They should also determine whether an employee's agreement should be modified or cancelled based on changing job assignments, workplace conditions, or failure to abide by the arrangement. Annual raters will forward copies of modified or canceled agreements to Resource Management Division for Headquarters employees or to the Staff Manager for region employees.

g. Employees have the right to cancel flexiplace arrangements by following the termination procedures listed in their approved flexiplace agreement.

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CHAPTER 3

OVERTIME

Within the Headquarters, **each activity chief, or his/her designated alternate,** is delegated authority to approve overtime work for employees in the activity. Within the regions, **each Regional Auditor General, Associate Regional Auditor General, or his/her designated alternate** may approve employee overtime.

Overtime for employees will be limited to essential needs. Supervisors must assure that Fair Labor Standards Act (FLSA) nonexempt employees do not perform overtime work except when payment or compensatory time off for such overtime is intended. **Auditors at the GS-09 and above level are FLSA-exempt; administrative/support staff should refer to their job descriptions for FLSA designations.**

For nonexempt employees on standard or flexitour work schedules, hours of work in excess of 8 in a day or 40 hours in a week are deemed overtime hours under the FLSA. **For employees on compressed work schedules,** only hours of work in excess of the specified hours in a day that constitute the compressed schedule, or those hours in excess of the compressed work schedule for the week are deemed overtime under the FLSA. Managers and supervisors should not "suffer and permit" overtime hours to be worked based solely on the wishes of the FLSA-exempt employee.

Hours of work not subject to the 8-hour daily overtime standard, but which continue to be subject to the overtime standard for the week, include administratively uncontrollable overtime work, "suffered or permitted" overtime work, travel away from the official duty station to a controllable event during hours corresponding to normally scheduled work hours. Time spent in a travel status away from an employee's official duty station is considered hours of work under 5 United States Code and / or FLSA in various situations (see Appendix C).

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1. COMPENSATORY TIME

a. Compensatory time may be granted instead of overtime payment for an equal amount of time spent in irregular or occasional overtime. Compensatory time is

earned on the basis of one hour off for each overtime hour worked and not on a time-and one-half basis.

b. FLSA-exempt employees whose compensation is less than a GS-10 Step 10 receive overtime payment unless they request compensatory time off. FLSA-exempt employees compensated in excess of GS-10 Step 10 will be compensated with compensatory time off rather than over time pay for irregular or occasional overtime worked. Exceptions to this policy must be approved by the Administrative Assistant to the Secretary of the Army. Compensatory time off may not be granted to an employee whose rate of basic pay for any pay period exceeds the maximum rate for a GM-15. Supervisors authorized to approve overtime work will ensure that, at the time overtime is scheduled, employees understand whether they will receive compensatory time off or payment for overtime.

c. Upon written request of a nonexempt employee, the Agency may grant compensatory time off from a scheduled tour of duty instead of payment under FLSA. A nonexempt employee may **not** be requested or required to take compensatory time off instead of receiving payment for overtime worked.

d. Every effort should be made to schedule the compensatory time off before the end of the pay period following the one in which the overtime was worked. When it is not possible to grant the compensatory time off by the end of the pay period following that in which the overtime was worked, the time off must be scheduled no later than the end of the thirteenth pay period following the pay period during which the overtime was worked. If compensatory time off cannot be taken within thirteen pay periods, the employee will be paid overtime at the rate in effect at the time the overtime was worked.

e. Unliquidated compensatory time should be used before using annual leave, unless the end of the leave year is near and accumulated annual leave exceeds the permissible carryover and would be forfeited if not taken.

f. If an employee resigns or transfers to another agency, the compensatory time does not transfer. The compensatory time will be paid to the employee as overtime when the employee is dropped from the payroll.

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2. PROCEDURES

a. All overtime (paid or compensatory) must be authorized in writing by the appropriate approving authority prior to being worked. Supervisors will use Request, Authorization, and Report of Overtime, DA Form 5172-R, to request and obtain approval for overtime (paid or compensatory). The completed form should include all information requested on the form including, under the heading "Nature of Duties and Justification," a comprehensive explanation of the factors necessitating overtime work. Requests for overtime must be processed in advance of overtime worked. When circumstances preclude advance written approval, advance verbal approval must be obtained from the approving authority before the work is

performed. Availability of funds for overtime must be certified in advance by the Budget Officer, Resource Management Division. Certification of availability of funds may be obtained by telephone by the region support services office, but the verbal verification must be noted on the DA Form 5172-R. For Headquarters personnel, the Budget Office will furnish a copy of the DA Form 5172-R to the time and attendance clerk, with indication of approval, disapproval, or modification of original request for forwarding to the civilian payroll office. In the regions, the support services office will follow the same procedure. The DA Form 5172-R serves as authority for posting paid overtime and compensatory time off on time and attendance cards.

b. The compensatory time earned will be reflected on the civilian employees Earning and Leave Statement in the block entitled "Comp Hrs Bal". Requests to use compensatory time earned will be submitted to the appropriate approving authority on an SF-71, Application for Leave, using the same procedures that would apply to any other leave request.

c. Accounting for and use of compensatory time by unofficial means is not permitted.

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CHAPTER 4

REPORTING TIME AND ATTENDANCE

1. RESPONSIBILITIES

Supervisors and designated payroll certifying officials are responsible for certifying time and attendance cards. Each Headquarters Activity Chief and Regional Auditor General will designate time and attendance clerks and alternates. Headquarters time and attendance clerks will ensure that completed time cards (DA Form 4395, Time and Attendance Reports) are hand-carried to the Resource Management Division no later than 1200 hours of the last Thursday of the pay period. The Resource Management Division and regional time and attendance clerks will ensure that time cards are mailed so as to reach Finance and Accounting Office no later than 1600 hours on Friday, the last workday of the pay period. The Finance and Accounting Office will notify the Resource Management Division and regional time and attendance clerks when the Friday suspense time must be changed due to its work requirements. Resource Management will then modify its suspense date and notify headquarters time and attendance clerks about this change.

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2. PROCEDURES

a. The Finance and Accounting Office furnishes the time and attendance cards before each pay period. Each employee's name, organization code, social security number, and pay period ending date are preprinted on the card. If a preprinted card is not furnished, the time and attendance clerk will prepare the card, indicating the employee's name, organization code, social security number, and pay period ending

date.

b. Time and attendance clerks must record the daily hours worked and absences authorized by approving authorities (to include overtime and compensatory time worked), collect supporting documents required for absences, ensure submission of time and attendance cards for each employee, and inform supervisors of missing supporting documents. Since the information on the card is the basis for payment of employees, it is imperative that the card be an accurate record of hours actually worked and leave taken each pay period. The person who signs the card is certifying that the time reported was or will be worked, absences were approved and properly recorded, overtime work reported (paid and compensatory) was officially authorized, and supporting documents were obtained as required for absences.

c. Prior to the close of each pay period, the time and attendance cards, with supporting documents attached, will be separated by payroll control numbers. Within each payroll control number, cards should be numerically arranged by social security number. Once properly arranged and signed, the cards can be sent to the Finance and Accounting Office.

d. To correct time and attendance cards, a new (corrected) card must be forwarded to the Finance and Accounting Office. In the regions, documents to support previously submitted time and attendance cards should be forwarded to the Finance and Accounting Office. Those for Headquarters employees will be provided to the Resource Management Division. **Discrepancies in leave should be reported** to the appropriate time and attendance clerk; **in matters such as discrepancies in pay and deductions,** Headquarters employees should contact the Resource Management Division and region employees should contact their Personnel Assistant. **The Resource Management Division and the Personnel Assistants will serve as the contact points between the employees and the Finance and Accounting Office for reporting and resolving problems.**

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CHAPTER 5

LEAVE ADMINISTRATION

1. RESPONSIBILITIES

a. Supervisors are responsible for the proper administration of leave. They will:

(1) Maintain a sound working knowledge of regulations governing leave administration.

(2) Ensure that employees they supervise know and follow the procedures for requesting and using leave.

(3) Ensure that absences from duty are approved and charged to the proper leave category.

(4) Establish leave schedules early in the leave year based on mutual understanding with subordinates, arrange the leave time so that a number of employees will not be on leave at the same time, and prevent any loss of annual leave at the end of the leave year because of an excess of carry-over leave hours.

(5) Ensure that employees submit a Standard Form 71, Application for Leave, or other supporting documents for all leave taken.

(6) Request advice and assistance from the regional Personnel Management Specialist or, if in Headquarters, from the Resource Management Division when there is a question on the type of leave to be charged, denial of leave, or action needed to improve poor leave habits.

(7) Promptly report all absences of employees to the appropriate time and attendance clerk.

(8) Keep management informed of subordinates' planned leave to facilitate audit scheduling.

(9) Ensure that employees are aware that they may request leave, but that it is the supervisor's responsibility to determine when that leave might be taken based on workload and mission requirements.

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b. Employees will:

(1) Cooperate with management to schedule vacation or time off for periods when their services can be best spared.

(2) Request leave as far in advance as possible to permit proper planning of work assignments and equitable decisions on scheduling and granting leave based on workload and mission requirements. Unless otherwise directed, all leave will be requested in writing using a Standard Form 71.

(3) Promptly report all absences to their supervisor.

(4) Comply with supervisor's instructions for documenting leave requests.

(5) When possible, schedule appointments for medical, dental, or optical examinations or treatment during off-duty hours or non-workdays; otherwise, request advanced approval for leave for these purposes in writing on Standard Form 71.

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2. PROCEDURES

a. ANNUAL LEAVE

(1) Annual leave is provided and used for two general purposes: (i) to allow every employee an annual vacation period of extended leave for rest and recreation, and (ii) to provide periods of time off for personal and emergency purposes. **Annual leave is an employee entitlement and Agency policy is that employees should be able to use accrued annual leave when they desire; however, there may be instances when mission requirements take precedence over annual leave, and approval may not be appropriate.**

(2) Employees may be granted emergency leave when circumstances beyond their control cause them to be absent from work. In these cases, **employees requiring the emergency leave will notify** their supervisors of their absence **within 2 hours** of the regular beginning of work.

(3) Supervisors may approve an **advance of annual leave** to an employee who has not accrued leave when emergency or other situations arise which require annual leave. An advance will not exceed the amount the employee would accrue prior to the end of the leave year or prior to an anticipated separation or retirement. Request for advanced leave must be in writing and coordinated with the responsible Director, Regional Auditor General or his/her designated representative and will be recorded by the time and attendance clerk. If recoupment becomes necessary from personnel who separate prior to liquidation of indebtedness for advanced annual leave, supervisors immediately will notify the Personnel Management Specialist in the region or the Resource Management Division in Headquarters who, in turn, will notify the Finance and Accounting Office.

(4) Employees are expected to take all **use or lose leave**. Managers should monitor the leave status of their employees, so that leave is not lost or mission accomplishment is not jeopardized. Employees may carry over a maximum 240 hours of annual leave into the next leave year; however, employees who have served in an overseas assignment can carry over a maximum of 360 hours. Employees should not be forced to lose leave because workload will not permit its use. If an employee does not use leave in excess of the maximum carry over, the leave will be lost. However, in certain circumstances, **leave may be restored**. In order for leave to be restored, the leave must have been requested and approved in advance (P&ES-W normally sets this date prior to 1 December) and subsequently canceled for one of the following reasons:

- Exigency of public business. Only The Auditor General is authorized to approve public exigencies.

- Sickness, injury, or other medical condition for which paid sick leave would be approved. (Employees have the option to use annual leave in place of sick leave.)

(5) **To restore annual leave** that was forfeited, the employee must submit a written request to the Associate Regional Auditor General or the appropriate Headquarters Associate Director. The written request must include the following information:

- The amount of leave requested (days / hours), the date(s) the leave was to be taken, and the date the supervisor originally approved the leave request. A signed, approved Standard Form 71, Request for Leave, will verify this information.

- The calendar date(s) and the reason why the leave was canceled (e.g., the recommended exigency of public business). Full explanations are needed.

- The last earnings and leave statement of the leave year and the first earning and leave statement of the new leave year that show the amount of use or lose leave that was forfeited.

The Associate Regional Auditor General / Associate Director will submit a written request through the Regional Auditor General / Director to The Auditor General for approval of exigency of public business and restoration of leave. This letter must include a recommendation for approval of the exigency of public business and will include, as attachments, all the documentation furnished by the employee. After the approval by The Auditor General, the entire package will be submitted to Chief, Labor Management and Employee Relations Division, Personnel and Employment Services-Washington, for restoration of the leave.

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b. SICK LEAVE

(1) **Sick leave** is authorized for an employee who:

- receives medical, dental, or optical examination or treatment;

- is incapacitated for the performance of duties by physical or mental illness, injury, pregnancy, or childbirth;

- would, as determined by the health authorities having jurisdiction or by a health care provider, jeopardize the health of others by his or her presence on the job because of exposure to a communicable disease.

(2) An employee will **notify** their supervisor **within 2 hours** after the start of their scheduled workday on the first day of absence for illness, and **state the nature and extent of the illness and the expected date of return to duty.** If the employee does not return to duty on the day expected, they must request an extension of their sick leave through their appropriate supervisor. When the employee returns to work, the sick

leave taken must be documented on Standard Form 71. **A request for extended sick leave must be in writing and accompanied by a physician's certificate**.

(3) When there is reason to believe that the **sick leave privilege has been abused,** a medical certificate must be required to justify the granting of any subsequent sick leave. The employee will be counseled in advance that a medical certificate will be required to support future granting of sick leave, regardless of duration of the illness. Supervisors will consult with their region Personnel Management Specialist or, if in Headquarters, the Resource Management Division before such a notice is given.

(4) When an employee has used all accrued sick leave, an **advance of sick leave** may be approved by Activity Chiefs in Headquarters and by Regional Auditors General, or their designated representatives. **Requests for advanced sick leave must be in writing and accompanied by a physician's certificate.** A deficit sick leave balance may not exceed 30 days at any time. The guidance to be used for advancing sick leave is contained in AR 690-990-2, Book 630. Supervisors will notify their region Personnel Management Specialist or, if in Headquarters, the Resource Management Division who will then notify the Finance and Accounting Office immediately **when an employee is to be separated prior to liquidation of indebtedness for advanced sick leave**.

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c. FAMILY FRIENDLY LEAVE

(1) According to the **Family Friendly Leave Act (FFLA)**, Public Law 103-388, permissible use of sick leave has been expanded to include:

- providing care for a family member as a result of physical or mental illness; injury; pregnancy; childbirth; or, medical, dental, or optical examination or treatment; or,

- making arrangements necessitated by the death of a family member or attends the funeral of a family member.

(2) **Full-time employees** are guaranteed the use of 40 hours of sick leave each year to care for family members or for bereavement purposes. Employees wishing to use more than 40 hours, but not more than the maximum 104 hours of sick leave allowed, must maintain a sick leave account balance of at least 80 hours for their personal use. **Part-time employees'** sick leave benefits for this purpose are prorated according to the number of hours they work.

(3) Under this Act, **family member means:** spouses and their parents; children; parents; siblings and their spouses; and, anyone related by

blood or affinity whose relationship to the employee is the equivalent of a family relationship.

(4) **Employees wishing to use sick leave for family care or bereavement must** submit an Application for Leave, Standard Form 71, to the appropriate leave approving authority, and annotate Item 5, Sick Leave, with "Family Friendly Leave Act." Before approving leave under this Act, officials should verify with the Audit Coordinator / Program Analyst that the cumulative amount of FFLA leave taken year-to-date by the employee has not exceeded the maximum allowable limits. Hours used will be charged to the appropriate indirect time code on the USAAA Form 226, Daily Employee Time Distribution Record or Monthly 226 Hours - AIMS.

(5) In addition, Public Law 103-329 permitted employees to use **sick leave for purposes related to the adoption of a child** effective 30 September 1994. Employees may also substitute sick leave retroactively for all or any portion of any annual leave used for adoption purposes between 30 September 1991 and 30 September 1994. Employees wishing to use sick leave for adoption must submit an Application for Leave, Standard Form 71, to the appropriate leave approving authority, and annotate Item 5, Sick Leave, with "Adoption."

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d. FAMILY AND MEDICAL LEAVE

(1) The Family and Medical Leave Act (FMLA) of 1993 **provides eligible employees up to 12 weeks of unpaid, job-protected leave** for certain family and medical reasons. Agency managers will not interfere with, restrain, or deny the exercise of any right provided under FMLA.

(2) In order to be eligible, **all full-time and part-time permanent employees** must have completed at least 12 months of service. The 12 months of service need not be recent nor consecutive. In addition to the above requirements, **employees serving under temporary appointments with a time limitation of 1 year or less** must also have worked for 1,250 hours over the previous 12 months.

(3) **Unpaid leave must be granted for any of the following reasons**:

- To care for the employee's child after birth, or placement for adoption or foster care;

- To care for the employee's spouse, son or daughter, or parent, who has a serious health condition; or,

- For an employee's serious health condition that makes the employee unable to perform the essential functions of his or her position.

(4) At the employee's or the Agency's option, **certain kinds of paid leave may be substituted for unpaid leave. Annual leave may be substituted under the conditions for which the employee would normally request annual leave; sick leave may be substituted under the conditions for which the employee would normally request sick leave.** Under certain conditions, family leave may be taken intermittently, or the employee may work under a work schedule that is reduced by the number of hours of leave taken as family and medical leave. **Family leave is in addition to other paid time off** available to an employee.

(5) **Employees should request leave for childbirth** as far in advance as possible, particularly if the absence is to be prolonged. The request for leave must be in writing and addressed to the appropriate supervisor. **The request should provide the mix of sick leave, annual leave, and leave without pay the employee plans to take.** Prior to childbirth, sick leave may be used for any physical examination and stoppage of work needed before the due date. Sick leave is also appropriate for the period of delivery and recuperation as certified by the attending physician. Because delivery and recuperation periods vary depending on the physical condition of the mother and the physician's instructions, a mixture of sick leave, annual leave, and leave without pay, may be approved on a case-by-case basis.

(6) **The employee must provide advance leave notice and medical certification**. Leave may be denied if the following requirements are not met:

- The employee must provide 30 days advance notice before the leave is to begin, or as soon as practicable.

- The employee must confirm, in writing, through their leave-approving supervisor to the Regional Auditor General or Headquarters Director, that he or she is invoking the entitlement to family or medical leave. Such notice must be signed and dated by the employee, specify the period of the family or medical leave, and indicate whether the employee elects unpaid leave or wishes to substitute paid time off for all or part of the period.

- The employee must provide medical certification to support a request for leave to care for an employee's spouse, son, daughter, or parent who has a serious health condition or for the serious health condition of the employee.

(7) Before approving leave under this Act, **officials should verify** that the cumulative amount of FMLA leave taken year-to-date by the employee has not exceeded the maximum allowable limits. Hours used

will be charged to the appropriate indirect time code on USAAA Form 226, Daily Employee Time Distribution Record or the Monthly 226 Hours - AIMS.

(8) Upon return from family leave, an employee will be returned to the same position or to an equivalent position with equivalent benefits, pay status, and other terms and conditions of employment. An employee who takes family leave is entitled to maintain health benefits coverage. An employee may pay the employee share of the premiums on a current basis or pay upon return to work. If leave without pay is used, group life insurance (FEGLI) premiums will be paid in their entirety by the Federal government while an employee is in the nonpay status (for up to one year).

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e. LEAVE WITHOUT PAY

(1) **Leave without pay (LWOP) is** an appropriately approved absence from duty **requested by the employee**, in which the **employee receives no pay and is not charged leave**.

(2) Granting LWOP is a matter of administrative discretion. Each request for LWOP will be examined closely to determine if the value to the government or serious needs of the employee are sufficient to offset the cost and administrative inconveniences to the government which result from retaining an employee in an LWOP status. Normally, **the initial grant of LWOP will not exceed 1 year**. Requests for an extension of LWOP will be reviewed carefully and approved only when the interests of the Government are best served, or when unusual circumstances indicate it would be harsh or unfair to deny the extension.

(3) An employee transferring to USAAA from another Federal agency will not be charged LWOP pending receipt of Standard Form 1150, Record of Leave Data Transferred, if the employee provides the Region's Personnel Assistant or, if in Headquarters, the Resource Management Division, a copy of their last Earning and Leave Statement. The payroll office can then establish a temporary leave balance until leave is officially transferred.

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(4) The permissive nature of LWOP distinguishes it from Absence Without Leave (AWOL), which is an absence from duty that is not authorized or approved, or for which a leave request has been denied (see AWOL, page 26).

(5) Supervisors may approve written requests for LWOP which will not exceed 40 hours. Requests for approval of LWOP expected to exceed 40

hours must be in writing to the Activity Chief or Regional Auditor General or his/her designated representative. Copies of these approved written requests will be furnished to the regional time and attendance clerk and Personnel Management Specialist or, if in Headquarters, the Resource Management Division.

(6) If an employee applies for and is granted LWOP, the period may not be converted later to annual or sick leave (except for disability retirement and employee compensation cases when claims are disallowed).

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f. VOLUNTARY LEAVE TRANSFER PROGRAM

(1) The voluntary leave transfer program is one in which the unused accrued **annual leave of one employee may be transferred for use by another employee who needs such leave because of a medical emergency**. A medical emergency means a medical condition of an employee or an employee's family member that is likely to require an employee's absence from duty for a prolonged period of time and results in a substantial loss of income to the employee because of the unavailability of paid leave. **An employee's family member for purposes of this program is**:

- Spouse, and parents thereof.

- Children, including adopted children, and spouses thereof.

- Parents.

- Brothers and sisters, and spouses thereof; and,

- Any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

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(2) **An employee who wishes to become a voluntary leave recipient must** apply in writing to their normal leave approving official. Each application will be accompanied by the following:

- Name, position title, and grade.

- Reasons why transferred leave is needed, including a brief description of the nature, severity, and anticipated duration of the medical emergency.

- Certification from physician with respect to the medical emergency.

- Copy of last earnings and leave statement to verify leave balances.

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(3) The leave approving official will review documentation submitted to determine if the absence from duty without available paid leave because of the medical emergency is, or is expected to be, at least 24 hours. Approved requests will be forwarded to the region Personnel Management Specialist or, if in Headquarters, to the Resource Management Division. A leave recipient may use annual leave transferred to his or her annual leave account only for the purpose of a medical emergency for which the leave recipient was approved.

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(4) **An employee who wishes to become a voluntary leave donor** must submit a written request to the region Personnel Management Specialist or, if in Headquarters, to the Resource Management Division, that a specified number of hours of accrued annual leave be transferred from his or her annual leave account to the annual leave account of a specified leave recipient. A copy of their last earning and leave statement must accompany the request to certify the availability of leave to be transferred. A leave donor may not transfer annual leave to their immediate supervisor.

(5) Transferred annual leave may be substituted retroactively for periods of leave without pay or used to liquidate an indebtedness for advanced annual or sick leave granted during the period of medical emergency. Transferred leave may be accepted from employees in agencies other than the leave recipient's employing agency after verification of the leave donor's eligibility.

(6) In any one leave year, a leave donor may not donate more than a total of one-half of the amount of annual leave he or she would be entitled to accrue during the leave year in which the donation is made.

(7) **When the medical emergency affecting a leave recipient terminates,** no further requests for transfer of annual leave to the leave recipient will be granted, and any unused transferred annual leave remaining to the credit of the leave recipient will be restored on a prorated basis by transfer to the appropriate accounts of the respective leave donors.

g. OTHER EXCUSED ABSENCE. **There must be legal or regulatory authority for an absence from duty to be excused without charge to leave**. As with other absences from duty, the supervisor must determine that an employee can be spared at the requested time and that the amount of time excused is reasonable and proper. In determining whether or not to grant administrative leave, agency heads or their designees have the authority to grant excused absence in limited circumstances for

the benefit of the agency's mission or government-wide recognized and sanctioned purpose. Excused absence may be granted in limited circumstances but should be directly related to the agency's mission; enhance the professional development or skills of the employee in his / her current position; or, be officially sponsored / sanctioned by the head of the employing agency. Some of the more common excused absences are discussed in the following paragraphs.

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(1) **Adverse Actions and Grievances.** Employees involved in adverse actions, grievances, and discrimination complaints **may be eligible to use reasonable amounts of official time** for serving as a witness, preparing or presenting a case formally or informally, or participating in a grievance, or discrimination complaint hearing. Affected employees should consult with their region's Personnel Management Specialist or, if in Headquarters, Resource Management Division for guidance.

(2) **Blood Donation.** Upon request and SF-71 documentation, an employee who volunteers as a blood donor without compensation **may be authorized excused absence not to exceed 4 hours** on the day of the blood donation, workload permitting. This period includes the time required to travel to and from the blood center, to give blood, and to provide a reasonable time to recuperate after giving blood.

(3) **Voting and Registration.** When practicable to do so, without interfering seriously with operations, **an employee will be excused for a reasonable time to register to vote or vote in federal, state, county or municipal elections** or in referendum on any civic matter in their community. As a general rule, excused absence may be authorized in an amount which will permit the employee to report for work within 3 hours after the polls open or leave work 3 hours before the polls close whichever results in the lesser amount of time off. Unusual circumstances may warrant additional excused time.

(4) **Conferences or Conventions.** Employees may be excused to attend conferences or conventions without charge to leave when it is determined that such attendance will serve the best interests of the government. **Affirmative decisions should be limited to those situations where the employee is designated as an official representative or when a direct relationship between items on the agenda and the employee's official duty assignment make it necessary or desirable for the employee to attend**. While employees may not be excused to attend conferences or conventions for which they are not designated as an official representative or which do not have a direct relationship to their official assignment, USAAA follows a liberal policy for authorizing annual leave or leave without pay, as appropriate.

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(5) **Examinations.**

- Employees taking **noncompetitive examinations** for promotions at the request of the employing agency, those taking examinations for their present jobs, and those participating in tests administered under the merit promotion program will be granted time off without charge to leave for the time necessary to complete the examination.

- Agency employees are authorized excused absences to sit for the following professional certification examinations: (i) Certified Public Accountant; (ii) Certified Internal Auditor; (iii) Certified Management Accountant; (iv) Certified Information Systems Auditor; (v) Certified Cost Analyst; and (vi) Certified Fraud Examiner. These excused absences will not be approved for related study or travel purposes.

- An SF 71 must be submitted through the normal chain of supervisory approval in order to be granted time off to take the above examinations. Time approved to specifically sit for the examination will be recorded on the DA From 4395 (time card) as "other excused absences," and charged to the appropriate indirect time code on USAAA Form 226, Daily Employee Time Distribution Record or the Monthly 226 Hours - AIMS.

- Absence for the purpose of taking any other examinations must be charged to annual leave or leave without pay.

- When a **medical examination** is considered necessary by the Agency to determine if an employee is fit for duty or is required in conjunction with an overseas move, the time used for the examination is considered an excused absence. Time used for any other medical examinations will be charged to the appropriate leave category. Medical and dental examination directed by the Armed Services in connection with periodic physical examinations of retired military personnel serving as civilian employees are chargeable to sick leave.

(6) **Permanent Change of Station.** Administrative leave may be granted for such things as: (i) undergoing overseas medical examination; (ii) applying for passports; (iii) getting immunization shots; (iv) packing household goods and hold baggage; (v) unpacking and getting settled at new duty station; (vi) outprocessing upon reassignment; and (vii) delivering and reclaiming privately owned vehicles at ports. Administrative leave will be **limited to a maximum of 3 days at each location for moves within CONUS and a maximum of 5 days at each**

location for overseas moves.

(7) **Miscellaneous Excused Leave.** Other situations in which supervisors are authorized to excuse employee absences without charge to leave include **tardiness and brief absences**. Questions about excused absences, type of leave to be charged, or denial of leave should be directed to the region's Personnel Management Specialist or the Resource Management Division.

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h. COURT LEAVE

The Agency considers it the civic responsibility of all its employees to respond to calls for jury and other court services. Agency officials should request that employees be excused from jury duty only when public interests are better served by the employees remaining on duty. **An employee is also eligible for court leave** when called as a witness on behalf of any party in connection with any **judicial proceeding (does not include an administrative proceeding) to which the United States, the District of Columbia, or a State or local government is a party.**

When an employee is called for court services, either as a witness or a juror, the court order, subpoena, or summons must be presented as far in advance as possible to the leave approving official. **Upon return to duty**, written evidence of attendance at court is required, showing the dates and hours of the service. When the absence is for jury duty, the employee will accept the court fees and contact the time and attendance clerk for instructions as to their disposition.

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i. MILITARY LEAVE.

Military leave is granted to **employees who are engaged in active duty or active duty for training. Military leave is not authorized for periods of inactive duty training** (usually weekend drills). Leave is **accrued at the rate of 15 days per fiscal year**; **a maximum of 15 unused days may be carried over from one fiscal year to another**. The military order calling the employee to active duty must be provided to the leave approving official as evidence of eligibility for leave. **Upon return to civilian duty**, the employee is required to furnish official proof of performance of the military duty through the leave approving official to the time and attendance clerk.

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j. FUNERAL LEAVE

Funeral leave, not to exceed 3 days, may be granted to an employee to allow them to make arrangements for, or to attend, the funeral or memorial service for an immediate relative who died as the result of a wound, disease, or injury incurred while serving as a member of the armed forces in a combat zone.

k. HOME LEAVE

Home leave is leave earned, apart from any other leave balances, for service abroad, to be used for personal travel to and from CONUS and an overseas area. An employee may be granted home leave after completing 24 months of service abroad. It is **earned on the basis of 5 days per year for Korea and 5 days per year in Europe, and is credited monthly.** Home leave is charged in daily increments and may be used only in the continental United States (CONUS) in conjunction with renewal agreement travel, or when eligible employees return to CONUS for temporary duty or other leave. Eligible employees are required to use accrued home leave prior to authorized annual leave, unless this use would result in forfeiture of annual leave. This leave accumulates for future use without regard to limitation, and may be transferred or recredited to an employee's account when he or she moves between agencies or is reemployed without a break in service of more than 90 days. Home leave balances will not be shown on the employee's earnings and leave statement; however, the account balances are maintained by the employee's servicing civilian payroll office.

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l. ABSENCE WITHOUT LEAVE

(1) This category of leave is used **when an employee does not have approved leave of any type for an absence from work.** Periods of absence without leave (AWOL) are charged in multiples of 15 minutes. The employee receives no pay for the period of absence. If it is later determined that the absence without prior authorization was excusable, or that the employee was ill, the charge or absence without leave may be changed to annual or sick leave.

(2) **When a charge of absence without leave is determined to be proper, disciplinary action may be initiated,** if appropriate. Penalties recommended in similar circumstances, together with the facts of the case, will be considered in seeking to impose like penalty for like offense. Final action will be determined by the appropriate individual in the supervisory chain after consultation with their region's Personnel Management Specialist or, if in Headquarters, the Employee Relations Specialist, Personnel and Employment Service-Washington.

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.CHAPTER 6

ADMINISTRATIVE DISMISSAL OF EMPLOYEES AND DESIGNATION OF EMERGENCY PERSONNEL

1. ADMINISTRATIVE DISMISSALS

a. In order to assure consistent treatment of employees similarly effected in each geographical area, approving authorities will consult with one another before arriving at a decision to close an activity. As appropriate, coordination with non-defense Federal installations in the area that may be similarly affected will be undertaken through Federal Executive Boards, Federal business associations, field personnel councils, or similar local organizations designed to coordinate actions on common problems.

b. Due to certain emergency situations, it may be necessary to administratively dismiss employees when operations are interrupted by events beyond the control of management or employees without charge to leave or loss to pay. These dismissals will be confined to situations including, but not limited to, extreme weather conditions or disasters such as fire or flood, power failure, or other administrative problems. Under these administrative dismissals, employees will be excused without charge to leave or loss of pay.

- Headquarters: The Auditor General may administratively dismiss employees. The Secretary of the Army, through Personnel and Employment Services-Washington, notifies the Agency of Washington, DC, metropolitan area situations requiring release of personnel.

- Regions: Local policy will govern those instances when the Regional Auditors General may administratively dismiss employees. Employees in the field offices and on travel to Army activities should normally be dismissed in accordance with local command policy. However, circumstances may dictate that the Regional Auditors General dismiss Agency employees at other times.

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2. EMERGENCY PERSONNEL

a. To ensure operational capability, the Agency must ensure that certain positions are staffed under all emergency conditions. These positions must have designated primary and alternate personnel. **In Headquarters,** primary emergency personnel are The Auditor General, the Deputy Auditor General, and the Directors. **In the Regions,** primary emergency personnel are the Regional Auditors General. The Directors and Regional Auditors General must also designate alternates. When designating alternates, consideration should be given to the person's capability to comply, such as:

(1) Distance from residence to duty station.

(2) Access to highways.

(3) Means of transportation.

(4) General health.

b. Persons designated as emergency should be notified in writing and will be

expected to continue on the job or report to duty regardless of any general authorization.

FOR THE ACTING DIRECTOR:

//SIGNED//
JAMES A. NIRSCHL
Associate Director
Resource Management Division

DISTRIBUTION:

P&ES-W (3)

THE PROPONENT OF THIS REGULATION IS THE RESOURCE MANAGEMENT DIVISION, USERS ARE INVITED TO SEND COMMENTS OR RECOMMENDATIONS TO THE AUDITOR GENERAL, ATTN: SAAG-PRM.

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OPM GUIDELINES - Alternative Workplace Arrangements (FLEXIPLACE)

MEMORANDUM FOR PERSONNEL DIRECTORS OCT 21 1993

FROM: LORRAINE A. GREEN, DEPUTY DIRECTOR (SIGNED)

SUBJECT: Alternative Workplace Arrangements (Flexiplace)

OPM is providing information to help you set up alternative workplace arrangements as recommended by the National Performance Review. Well designed flexiplace programs are "family friendly" and offer many benefits to employers, employees, and society as a whole. We encourage you to offer this flexibility to employees in situations where accountability for customer service can be assured. To develop effective flexiplace programs, agencies should seek employee views and also bargain or consult, as appropriate, with unions representing affected employees.

Unless a specific stance provides otherwise, agencies have the authority to permit employees to work at locations other than the regular office. Employees on flexiplace typically work at home but can work at other locations. For example, the General Services Administration (GSA) is setting up several Interagency Telecommuting Centers in outlying areas of the Nations Capital for Federal employees who currently travel long distances between home and work.

Attachments to this memorandum describe the reasons for flexiplace, basic parameters for its use, the conditions under which it is most likely to succeed, and the personnel policies and procedures that apply to employees on flexiplace. Also included is a sample agreement form agencies may use for employees who routinely work under flexiplace arrangements.

Other information is available from OPM's electronic bulletin board "Mainstreet." Included are materials developed for and by agencies that participated in the Flexiplace Pilot Project, for example, procedures, forms, training materials, and evaluation surveys. to read or download this information, computer users can call "Mainstreet" by dialing 202-606-4800 at up to 14.4 kbps

and following the instructions to reach the Flexiplace Telecommuting Forum. The forum also lets Federal employees share information about their experiences with alternative workplace arrangements.

If you have any questions, please call Ellen Russell on 202-606-0960. For questions on the Interagency Telecommuting Center Pilot Project in the Washington, D.C. area, please call Warren Master (GSA) on 202-606-7000.

2 Attachments

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Guidelines for Alternative Workplace Arrangements (Flexiplace)

1. Government Pilot Project

OPM developed these guidelines based on a Government-wide project in which employees from 14 Federal agencies worked at locations other than their regular offices. In the project evaluation, supervisors reported that individual and organizational performance was as good or better than before. Employees reported improved motivation and quality of life as well as reduced commuting time, job-related expenses, and sick leave use. Labor-management cooperation contributed to the success of agency pilot programs.

2. Reasons for Flexiplace

Employers offer alternative workplace arrangements for many reasons. Flexiplace:

* Decreases traffic, parking congestion, energy consumption, and air pollution;

* Accommodates employees who have temporary or continuing health problems or who might otherwise have to retire for disability;

* Extends employment opportunities to people with disabilities, including former employees who have partially recovered from work-related injuries, who can do the job from an offsite location;

* Improves quality of worklife and performance, e.g., reduces office overcrowding and/or provides a distraction-free environment for reading, thinking, and writing;

* Provides services when the regular office is closed, e.g., after a natural disaster;

* Improves morale by giving employees more options to balance work and family demands.

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3. Basic Parameters for Flexiplace in Federal Agencies

a. Flexiplace is a management option rather than an employee benefit and does not change the terms and conditions of appointment. Employee participation is voluntary and subject to management approval. An employee who works on flexiplace (other than for short periods) should sign an agreement with the agency.

(Agencies may use or modify the attached sample.) Cancelling an arrangement is up to either the employee or the supervisor, with notice and in accordance with any procedures the agency establishes.

b. Flexiplace should not adversely affect the performance of the employee on flexiplace or others in the work group.

c. Supervisors must properly certify time and attendance.

d. The employee must have a safe and adequate place to work offsite that is free from interruptions and that provides the necessary level of security and protection for Government property. Although flexiplace will give some employees more time for their family responsibilities, flexiplace is not a substitute for dependent care. Employees must not use duty time for any purpose other than official duties.

e. The Government may place Government-owned computers and telecommunications equipment in employee homes or at other alternative worksites, but the Government retains ownership of and control of hardware, software, and data. Such equipment is for official use only and its repair and maintenance are the responsibility of the agency. For more information, see GSA publications, Flexiplace: Questions and Answers on Management Issues and Flexiplace: Questions and Answers on Computers and Telephone Issues. Fax a request for these publications to 202-501-2482

f. Agencies may provide employees with FTS2000 authorization cards. To the extent permitted by law, agencies may pay for the installation of telephone lines in private residences. For the past few years, the Treasury, Postal Service, and General Government Appropriations Act included an exception to the general statutory prohibition on agency installation of telephone lines in private residences. The exception covered employees who participated in the flexiplace pilot project (See Public Law 102-506). We expect the FY 94 appropriations act to include a similar exception for employees who work at home in accordance with OPM guidelines.

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4. Conditions for Successful Flexiplace Arrangements

The Government-wide project, as well as others in the public and private sector, yielded information about factors that contribute to successful alternative workplace arrangements. For example:

a. Written policies and procedures often make flexiplace programs more understandable. Policies should cover short-term as well as continuing arrangements. Project coordinators facilitate the development of programs. Orientation sessions for flexiplace employees and their supervisors ensure a common understanding of program requirements.

b. The nature of the work, as well as the characteristics of the employee and the supervisor, should be suitable for flexiplace. Work suitable for flexiplace depends on job content, rather than job title, type of appointment, or work schedule. For

example, flexiplace is feasible for work that requires thinking and writing--data analysis, reviewing grants or cases, writing decisions or reports; for telephone intensive tasks--setting up a conference, obtaining information, following up on participants in a study; and for computer-oriented tasks--programming data entry, word processing. Positions in the Government-wide project included writer/editor, scientist, investigator, psychologist, environmental engineer, budget analysis, tax examiner, and computer specialist.

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c. Unsuitable Work. Work may not be suitable for flexiplace if the employee needs to have extensive to have extensive face-to-face contact with the supervisor, other employees, clients, or the general public; if the employee needs frequent access to material which cannot be moved from the regular office; if the agency cannot provide any special facilities or equipment that are necessary; or if it would be too costly for the agency to duplicate the same level of security at the alternative workplace.

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d. The characteristics of an employee are particularly important. The employee should be organized, highly disciplined, and conscientious self-starter who requires minimal supervision. His or her performance should be at least "fully successful." In certain situations, however, a supervisor may chose to offer flexiplace as a way to help an employee improve performance. Flexiplace is not suited for new employees who need to be in the office to learn the organization, for employees who require on-the-job training, who need close supervision, or who thrive on interaction with co-workers and would suffer from the isolation of working alone. The characteristics of the supervisor are also critical. He or she should be willing to try out the new arrangement and take the necessary steps to ensure its success. Most importantly, the supervisor should be comfortable managing by results.

e. Office/offsite scheduling. Most flexiplace employees spend part of the workweek in the regular office to improve communication, minimize isolation, and use facilities not available offsite. Agencies should, however, determine the best balance for individual employees and situations.

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5. Personnel Policies/Procedures

a. Official Duty Station. A flexiplace employee's official duty station generally continues to be the regular office, not the alternative workplace. Entitlement to locality-based comparability payment, special salary rates, travel allowances, and relocation expenses is based on the official duty station.

b. Hours of Duty. The existing rules on hours of duty apply to flexiplace employees. Management determines employee work schedules consistent with the requirements of the work group and provisions of any applicable bargaining agreements.

Agencies may approve alternative work schedules for flexiplace employees.

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c. Pay and Leave. Existing rules on pay and leave administration apply to flexiplace employees. Special provisions on overtime pay and night pay for employees on alternative work schedules may make it easier for agencies to schedule flexiplace employees to work at the times they are most productive.

d. Overtime. The existing rules on overtime under title 5, United States Code, and the Fair Labor Standards Act (FLSA) apply to flexiplace employees, Supervisors should make sure that flexiplace employees work overtime only with advance approval and should cancel flexiplace privileges of employees who continue to work overtime.

e. Certification and Control of Time and Attendance. supervisors must report time and attendance to ensure that flexiplace employees are paid only for work performed and that absences from scheduled tours of duty are accounted for. The General Accounting Office (GAO) requires agencies with employees working at remote sites to provide reasonable assurance that the employees are working when scheduled, for example, by determining the reasonableness of the work output for the time spent or by having the supervisor make occasional telephone calls or visits during the employee's scheduled work time. (See Title 6 of GAO's Policy and Procedures Manual for the Guidance of Federal Agencies.)

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f. Position Descriptions and Performance Standards. Flexiplace will seldom require major changes in position descriptions, but may affect factors such as supervisory controls or work environment. Performance standards for flexiplace employees should be results-oriented and should describe the quantity and quality of expected work products and the method of evaluation. Generally, supervisors will use the same measures for flexiplace employees and employees who perform similar tasks in the regular office.

g. Home Inspections. Agencies should make sure that the flexiplace employee's worksite meets acceptable standards. Some agencies in the Government-wide project required employees to complete a self-certification safety inspection form. onsite inspections (with adequate notice to the employee) are another option.

h. Workers' Compensation. Flexiplace employees are covered by the Federal Employees Compensation Act (FECA) and may quality for payment for on-the-job injury or occupational illness.

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i. Group Dismissal. A flexiplace employee may sometimes, but not always, be affected by an emergency requiring the regular office to close. For example, on a "snow closing day," the agency should not excuse a flexiplace employee unless he or

she cannot perform work **because** the regular office is closed. When both the regular office and the alternative worksite are affected by a widespread emergency, the agency should grant the flexiplace employee excused absence as appropriate. When an emergency affects only the alternative worksite for a major portion of the workday, the agency can require the flexiplace employee to report to the regular office, approve annual leave or leave without pay, or authorize an excused absence.

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Between Agency and Employee Approved for Flexiplace on a Continuing Basis

The supervisor and the employee should each keep a copy of the agreement for reference.

(Agency) (Employee)

Voluntary Participation

Employee voluntarily agrees to work at the agency-approved alternative workplace indicated below and to follow all applicable policies and procedures. Employee recognizes that the flexiplace arrangement is not an employee benefit but an additional method the agency may approve to accomplish work.

Trial Period

Employee and agency agree to try out the arrangement for a least (specify number) months unless unforeseeable difficulties require earlier cancellation.

Salary and Benefits

Agency agrees that a flexiplace arrangement is not a basis for changing the employee's salary or benefits.

Duty Station and Alternative Workplace Agency and employee agree that the employee's official duty station is: (indicate duty station for regular office) and that the employee's approved alternative workplace: (specify street and number, city and State).

Note: All pay, leave and travel entitlements are based on the official duty station.

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Official Duties

Unless otherwise instructed, employee agrees to perform official duties only at the regular office or agency-approved alternative workplace. employee agrees not to conduct personal business while in official duty status at the alternative workplace, for example, caring for dependents or making home repairs.

Work Schedule and Tour of Duty

Agency and employee agree the employee's official tour of duty will be: (specify days, hours, and location, i.e., the regular office or the alternative workplace).

Time and Attendance

Agency agrees to make sure the flexiplace employee's timekeeper has a copy of the employee's work schedule. The supervisor agrees to certify biweekly the time and attendance for hours worked at the regular office and the alternative workplace.

(Note: Agency may require employee to complete self-certification form.)

Leave

Employee agrees to follow established office procedures for requesting and obtaining approval of leave.

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Overtime

Employee agrees to work overtime only when ordered and approved by the supervisor in advance and understands that working overtime without such approval may result in termination of the flexiplace privilege and / or other appropriate action.

Equipment/Supplies

Employee agrees to protect any Government-owned equipment and to use the equipment only for official purposes. The agency agrees to install, service and maintain any Government-owned equipment issued to the flexiplace employee. The employee agrees to install, service, and maintain any personal equipment used. The agency agrees to provide the employee with all Necessary office supplies and also reimburse the employee for business-related long distance telephone calls.

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Security

If the Government provides computer equipment for the alternative workplace, employee agrees to the following security provisions: (insert agency specific language).

Liability

The employee understands that the Government will not be liable for damages to an employee's personal or real property while the employee is working at the approved alternative workplace, except to the extent the Government is held liable by the Federal Tort Claims Act or the Military Personnel and Civilian Claims Act.

Work Area

The employee agrees to provide a work area adequate for performance of official duties.

Worksite Inspection

The employee agrees to permit the Government to inspect the alternative workplace during the employee's normal working hours to ensure proper maintenance of Government-owned property and conformance with safety standards (Agencies may require employees to complete

a self-certification safety checklist).

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Alternative Workplace Costs

The employee understands that the Government will not be responsible for any operating costs that are associated with the employee using his or her home as an alternative worksite, for example, home maintenance, insurance, or utilities. The employee understands he or she does not relinquish any entitlement to reimbursement for authorized expenses incurred while conducting business for the Government, as provided for by statue and regulations.

Injury Compensation

Employee understands he or she is covered under the Federal Employee's Compensation Act if injured in the course of actually performing official duties at the regular office or the alternative duty station. The employee agrees to notify the supervisor immediately of any accident or injury that occurs at the alternative workplace and to complete any required forms. The supervisor agrees to investigate such a report immediately.

Work Assignments/Performance

Employee agrees to complete all assigned work according to procedures mutually agreed upon by the employee and the supervisor and according to guidelines and standards in the employee's performance plan. The employee agrees to provide regular reports if required by the supervisor to help judge performance. The employee understands that a decline in performance may be grounds for canceling the alternative workplace arrangement.

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Disclosure

Employee agrees to protect Government/agency records from unauthorized disclosure or damage and will comply with requirements of the Privacy Act of 1974, 5 U.S.C. 552.

Standards of Conduct

Employee agrees he or she is bound by agency standards of conduct while working at the alternative worksite.

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Cancellation

Agency agrees to let the employee resume his or her regular office after notice to the supervisor. Employee understands that the agency may cancel the flexiplace arrangement and instruct the employee to resume working at the regular office. The agency agrees to follow any applicable administrative or negotiated procedures.

Other Actions

Nothing in this agreement precludes the agency from taking any appropriate disciplinary or

adverse action against an employee who fails to comply with the provisions of this agreement.

(Employee's Signature and Date)

(Supervisor's Signature and Date)

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TRAVEL AS HOURS WORKED

When nonexempt employees travel, they are paid for the hours spent in a travel status that are determined to be hours of work under either Title 5, United States Code, and/or FLSA. When exempt employees travel, they are paid for the hours spent in a travel status that are determined to be hours of work under Title 5. The chart below gives the conditions under which travel will be considered hours of work in either situation.

Rule	Title 5 (Regulated Under 5 CFR 550.112(g)	FLSA (Regulated Under 5 CFR 551.422
1	Employee travels during normal duty hours (including regularly scheduled overtime).	Same.
2	Employee works while traveling.	Same, but considers driving as work.
3	Employee must travel in order to work while traveling.	(No comparable provision.)
4	The travel cannot be administratively controlled (i.e., travel is not controlled by any entity of the Executive Branch of the Government).	(No comparable provision.)
5	(No comparable provision).	Employee is a passenger on a one-day assignment away from the duty station.
6	(No comparable provision).	Employee travels on an overnight assignment on non-workdays during corresponding duty hours.
7	(No comparable provision).	Employee chooses to use an alternate mode of travel or to travel at another time than offered or selected by the Agency-hours of work will be the lesser of either (a) the actual hours of travel, or (b) the estimated hours of travel using the Agency-authorized mode of travel.
8	(No comparable provision).	The travel time to and from a temporary duty location exceeds the travel time to and from the employee's permanent duty station.
9	The travel is under arduous conditions.	(No comparable provision).

Time spent in travel that meets any of the conditions listed above must be compensated as either straight time or overtime, whichever is appropriate.

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LIST OF REFERENCES

LEAVE/EXCUSED ABSENCE/ADMINISTRATIVE DISMISSAL

Absence Without Leave - 5 CFR 630; AR 690-990-2, Book 630

Administrative Dismissal of Employees - 5 USC Chapter 61; 5 CFR 61; AR 1-13;

AR 690-990-2, Book 610

Administrative Leave - AR 690-990-2, Book 630

Annual/Sick Leave - 5 USC Chapter 63; 5 CFR 630; AR 690-990-2, Book 630

Court Leave - 5 USC Chapters 55, 57, 63; AR 690-990-2, Book 630

Family and Medical Leave - PL 103-3; 5 CFR 630; 29 CFR 825

Family Friendly Leave - PL 103-388

Funeral Leave - 5 USC Chapter 63; 5 CFR 630

Home Leave - 5 USC Chapter 63; 5 CFR 630; AR 690-990-2, Book 630

"In-Lieu Of" Holidays - EO 11582; 5 USC 6103(b)(2)

Leave Without Pay - AR 690-990-2, Book 630

Military Leave - 5 USC Chapter 63; AR 690-990-2, Book 630

Overtime/Compensatory Time - 5 USC Chapter 55; 5 CFR 530, 531, 532, 550, and 551; AR 690-990-2, Books 550, 552, and 610; Section 7, FLSA; 5 CFR 550 and 551

Pay Administration Under FLSA - 5 CFR 551; AR 690-990-2, Book 550 and 552

Voluntary Leave Transfer Program - 5 USC Chapter 63; 5 CFR 630

TIME AND ATTENDANCE - AR 37-105

TRAVEL - 5 USC Chapter 57; 5 CFR 610; DOD Joint Travel Regulations, Volume 2;

5 USC 5542; Section 7, FLSA; 5 CFR 550 and 551

WORK SCHEDULES - PL 95-390 and 97-221; 5 USC Chapter 61; 5 CFR 610; AR 215-3; AR 690-990-2, Book 610

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DEPARTMENT OF THE ARMY
HEADQUARTERS, UNITED STATES ARMY AUDIT AGENCY
ALEXANDRIA, VA 22302-1596

USAAA REGULATION NO. 700-1 **1 FEBRUARY 1991**

Equal Employment Opportunity

USAAA FEDERAL WOMEN'S PROGRAM

Purpose

Background

Policy

Responsibilities

Procedures

Terms of Appointments

Expiration of Term

Reporting

Appendix A - Federal Women's Program Manager Executive Committee

Appendix B - USAAA Federal Women's Program Committee Goals

1. **PURPOSE**. This regulation affirms Agency policy on the employment of women and implements the Federal Women's Program (FWP) throughout the Agency.

2. **BACKGROUND**

(a) In October 1967, Executive Order 11375 added sex to other prohibited forms of discrimination in the Federal Government. As a result of this executive order, the Federal Women's Program was established. In August 1969, Executive Order 11478 integrated the Federal Women's Program into the overall Equal Employment Opportunity program and placed the Federal Women's Program under the stewardship of agency directors of equal employment opportunity. Civilian Personnel Regulation 700, Appendix E, dated 27 June 1983 requires each command to have a Federal Women's Program.

(b) The Office of Personnel Management provides Government-wide leadership for affirmative employment programs which includes the Federal Women's Program. The purpose of the Federal Women's Program is to enhance employment and advancement opportunities for women and to remove barriers that impede their progress.

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3. POLICY

(a) Army Policy. The Department of the Army's policy is to ensure equality for women in recruitment, placement, promotion, status, training and development, recognition, and pay, in all positions and at all time.

(b) Agency Policy. The Agency is to support the FWP and equal employment opportunities for women. The Agency is fully committed to ensuring this policy is accomplished by eliminating discriminatory practices in the employment, training, and upward mobility of women. Agency personnel are encouraged to support and coordinate with the FWPM and deputy managers to maintain and further develop Agency's program.

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4. RESPONSIBILITIES. Responsibility for the FWP extends from The Auditor General to executives, managers, and supervisors at all levels. The following list of specific responsibilities is not all inclusive, and responsibilities are not listed in priority order.

(a) The Auditor General. The Auditor General is responsible for the Agency's Federal Women's Program. His responsibilities include:

- Exerting influence, leadership, and authority to make sure all executives, managers, and supervisors comply with the intent and specific requirements of the FWP.
- Keeping informed of the major aspects of the program and demonstrating positive support of the purpose and provisions of the program.

(b) Regional Auditors General. The Regional Auditors General are responsible for ensuring that the FWP is implemented at the regional level.

(c) Executives, Managers, and Supervisors. Executives, managers, and supervisors will:

- Make sure women are given equality of opportunity in every aspect of Agency operations. (This includes training, promotional opportunities, awards and audit assignments).
- Actively support the goals and activities of the FWP.
- Furnish technical advice and assistance to FWP manages in their efforts towards achieving program goals.

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(d) Federal Women's Program Manager (FWPM) and Deputy Managers (Appendix A). The FWPM will coordinate the Agency's program with the Office of the Secretary of the Army EEO Officer. The FWPM and deputy managers will:

- Ensure that employees, managers, and supervisors are informed concerning the FWP and the essential part it plays in the total EEO program effort.
- Ensure the Agency's FWP goals are accomplished (listed in Appendix B).
- Work with management to identify positions that can help establish career progression and upward mobility training programs.
- Assist in counseling women about opportunities available to them for advancement.

- Assist in preparing and reviewing Agency policy documents and procedures that affect women.
- Assist in coordinating and disseminating information of interest to women.

(e) Executive Committee. The executive committee will:

- Plan and execute the headquarters program.
- Coordinate the regions' programs.
- Monitor the Agency's program.
- Provide feedback on the program to The Auditor General.

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(f) Deputy Managers. Deputy managers will:

- Plan and execute the Region program.
- Monitor the accomplishment of goals in the region's program.
- Provide feedback on the program to the Regional Auditors General and executive committee
- Take an active part in the orientation of new employees and in the training of employees on their EEO responsibilities.

5. PROCEDURES

(a) Structure

- **Headquarters.** Headquarters will have a manager and a deputy manager, representing both audit and non-audit staff. These two people will form the executive committee.
- **Regions.** Each Region will have two or three deputy managers, representing both audit and non-audit staff. To ensure program continuity, Regional Auditors General can appoint both a deputy and assistant deputy manger to represent the audit staff--due to auditor's varied schedules--as well as appointing an assistant deputy manager to represent the non-audit staff.

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(b) **Selection.** The FWPM will furnish a list of candidates (from both the audit and the non-audit staff) from which The Auditor General will select a new FWPM and headquarters deputy manager. The Region deputy mangers will furnish a list of candidates (from both the audit and non-audit staff) from which the Regional Auditor General will select new deputy managers. The executive committee and Region managers may nominate themselves if they have not served 6 consecutive years. Both headquarters and region managers will assume all other administrative duties connected with selection or replacement of the FWPM and/or deputy managers.

(c) **Term of Appointments.** The FWPM and deputy managers term of appointment will not exceed 3 consecutive years. Managers may be renominated and serve a second term on approval of the appointing official. Managers may be renominated and serve a second term

on approval of the appointing official. Managers may elect to serve their second term in 1-year increments, not to exceed a total of 6 consecutive years. Managers appointment will terminate on leaving the Agency or at the voluntary request of the manager or the appointing official. The FWPM and deputy managers will be allotted 5-10 percent of their working hours over the course of each year to ensure an effective program and successful performance of the job. This allotment is a guideline and will be reassessed each year. The time code for reporting time spent on FWP duties is "1008D".

(d) **Expiration of Term**. Six months prior to the expiration of term, new managers will be selected. This six month overlap provides for training of the newly appointed managers and for the continuity of the program between rotation of managers. The auditor General and Regional Auditors General will issue letters to the newly selected FWPM and deputy managers advising them of their appointments.

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(e) **Documentation of Duties.** DA policy requires FWPM duties to be reflected in the job descriptions for the FWPM and deputy managers to reflect their collateral duties. The Auditor General or Regional Auditor General, as appropriate will provide input to rating officials with respect to how well the FWPM and deputy managers perform these collateral duties.

(f) **Training.** Newly assigned managers will be scheduled for formal FWP training to develop management, technical, and administrative skills to effectively manage the Federal Women's Program. In order to meet DA training requirements for FWP managers, training should be scheduled within 1 year of appointment. This training should be identified in the employees' individual development plan.

(g) Reporting. Formal reports are required of the executive committee and Region deputy managers. These reports will assess the status of the program and the accomplishment of goals. Reports will be staffed with The Auditor General and the Regional Auditors General.

- **Executive Committee.** Semiannual reports will be prepared assessing the status of the program for headquarters employees. These reports will be submitted to The Auditor General on 1 August and 1 February.
- **Region Deputy Managers.** Semiannual reports will be submitted to the Regional Auditor General, with a copy furnished to the executive committee, assessing the status of the Region's programs. Reports will be furnished to the executive committee on 15 July and 15 January.
- **Report Distribution.** Based on data compiled from the semiannual reports, the executive committee will issue a consolidated Agency report. The executive committee will ensure appropriate distribution in headquarters, to Region FWP deputy managers, and the Office of the Secretary of the Army, Equal Employment Opportunity Officer. Region deputy managers will ensure appropriate distribution to Region personnel.

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(h) Workshops. A workshop will be held, if needed, to allow the executive committee and deputy managers to update goals and program objectives. The workshop will be subject to the approval of The Auditor General.

FOR THE AUDITOR GENERAL:

THOMAS DRUZGAL
Director, Audit Policy, Plans and Resources

THE PROPONENT OF THIS REGULATION IS THE USAAA FEDERAL WOMEN'S PROGRAM MANAGER. USERS ARE INVITED TO SEND COMMENTS OR SUGGESTED IMPROVEMENTS TO HQDA(SAAG-FWPM).

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APPENDIX A

FEDERAL WOMEN'S PROGRAM MANAGERS EXECUTIVE COMMITTEE

HEADQUARTERS	
Nancy Sinclitico	
Lupe MaGuire	
REGION DEPUTY MANAGERS	
Central Region	**Northeastern Region**
Toni Fisher	Anitra Parrish-Akanbi
Donna Keating	Kathleen DeLaurentis
Southeastern Region	**Western Region**
Kelly Boettcher	Cruz Pierce
Tammy Kiriluk	Denise Howard

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APPENDIX B

USAAA FEDERAL WOMEN'S PROGRAM COMMITTEE GOALS

- Achievement of equal employment opportunity without regard to sex or any other nonmerit factor in recruitment, placement, promotion, training and development, recognition, status and pay in all positions and at all grade levels.

- Inform women of available training programs which may lead to advancement.
- Provisions for representative forum to discuss women's issues and concerns.
- Communication of issues and concerns to management officials.

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