

Army Regulation 11-7

Army Programs

Internal Review Program

**Headquarters
Department of the Army
Washington, DC
29 March 2017**

UNCLASSIFIED

SUMMARY of CHANGE

AR 11-7

Internal Review Program

This major revision, dated 29 March 2017—

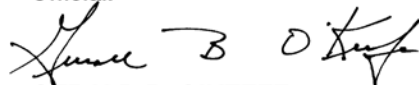
- o Adds a paragraph on Army Auditor General responsibilities (para 1-5).
- o Requires commanders to ensure that all Internal Review director, chief, and auditor positions, when filled, meet the requirements for the 511 Professional Series, Auditor (para 1-6*d*).
- o Requires internal review activities to comply with Government Accountability Office generally accepted Government auditing standards when performing audit engagements (para 2-8*a*(1)).
- o Requires internal review offices to align their involvement with the Managers' Internal Control Program to the responsibilities specifically delineated in AR 11-2 (para 2-8*a*(2)).
- o Replaces internal review general standards information with internal review planning and services information (chap 3).
- o Adds information defining each of the internal review services provided by internal review offices (chap 3).
- o Adds information on annual planning of internal review offices (para 3-1).
- o Updates risk assessment files information (para 3-1*e*).
- o Adds audit readiness and sustainment as provided internal review services (para 3-3).
- o Updates liaison with external audit organizations information (para 3-5).
- o Updates audit follow-up policy (para 3-6).
- o Replaces field work standards with internal review quality assurance, quality control, and peer review (chap 4).
- o Adds peer review assessment requiring use of the Council of the Inspectors General for Integrity and Efficiency peer review guide (app B).
- o Adds semiannual reports information (app C).

Army Programs
Internal Review Program

By Order of the Secretary of the Army:

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General, United States Army
Chief of Staff

Official:


GERALD B. O'KEEFE
Administrative Assistant to the
Secretary of the Army

History. This publication is a major revision.

Summary. This regulation contains policies for establishing and operating an internal review activity within an Army organization.

Applicability. This regulation applies to the Active Army, the Army National Guard/Army National Guard of the United States, and the U.S. Army Reserve, unless otherwise stated.

Proponent and exception authority. The proponent of this regulation is the Assistant Secretary of the Army (Financial Management and Comptroller). The proponent has the authority to approve exceptions or waivers to this regulation that are

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

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

Supplementation. Supplementation of this regulation and/or establishment of command and local forms are prohibited without prior approval from the Assistant Secretary of the Army (Financial Management and Comptroller) (SAFM–FOI), 109 Army Pentagon, Washington, DC 20310–0109.

Suggested improvements. Users are invited to send comments and suggested

improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) directly to the Assistant Secretary of the Army (Financial Management and Comptroller) (SAFM–FOI), 109 Army Pentagon, Washington, DC 20310–0109.

Committee continuance approval. AR 15–1 requires the proponent to justify the establishment or continuance of committee(s), the coordination of draft publications, and the coordination of changes in committee status with the Office of the Administrative Assistant to the Secretary of the Army, Department of the Army Committee Management Office (AARP–ZA), 9301 Chapek Road, Building 1458, Fort Belvoir, VA 22060–5527. If it is later determined that any established group identified within this regulation has taken on the characteristics of a committee, as described in AR 15–1, the proponent will follow all AR 15–1 requirements to formally establish the group as a committee.

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

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*This regulation supersedes AR 11–7, dated 22 June 2011.

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Chapter 1 Introduction

Section I

General

1–1. Purpose

This regulation prescribes policies, roles, responsibilities, and standards of the Army Internal Review (IR) and Audit Compliance Program within the Department of the Army (DA).

1–2. References

See appendix A.

1–3. Explanation of abbreviations and terms

See the glossary.

Section II

Responsibilities

1–4. Assistant Secretary of the Army (Financial Management and Comptroller)

The ASA (FM&C) will—

a. Oversee responsibility for the Army IR Program; however, individual IR offices are commanders' assets designed to provide audit support to their respective commands.

b. Establish policy and oversight for the Army IR Program through the Deputy Assistant Secretary of the Army (Financial Operations), (DASA (FO)) and the DA IR Director (SAFM–FOI). The following specific responsibilities shall be delegated to the DA IR Director:

(1) Monitor the application of Generally Accepted Government Auditing Standards (GAGAS) at IR activities throughout the Army.

(2) Interpret the application of GAGAS, Comptroller General of the United States, Department of Defense (DOD), and DA policies and decisions as they relate to IR.

(3) Develop, promulgate, and implement DA IR policies, procedures, and performance measures for IR offices throughout the Army.

(4) Develop and execute a comprehensive IR professional training program and Continuing Professional Education (CPE) requirements that comply with GAGAS standards.

(5) In coordination with the ASA (FM&C) Proponency Office, monitor and oversee compliance of IR personnel with the requirements of the DOD Financial Management (FM) Certification Program.

(6) Assist and support effective execution of IR programs at Army commands (ACOMs), Army service component commands (ASCCs), direct reporting units (DRUs), Army staff agencies, and other organizations where IR offices are established.

(7) Establish a formal peer review (PR) program to ensure effective execution of IR programs and compliance with GAGAS standards at ACOMs, ASCCs, DRUs, and other organizations where IR offices are established.

(8) Collect and monitor the results of peer reviews; identify any systemic issues discovered as a result of these reviews; and develop any programs, guidance, or training necessary to address these issues.

(9) Provide guidance and assistance to organizations reporting to Headquarters, Department of the Army (HQDA) with all matters relating to the Army IR Program.

(10) Advise commanders and activity heads on maintaining adequately staffed IR offices with appropriate grade structures.

(11) Oversee and administer the selection of members to the Internal Review Steering Group (IRSG) in accordance with the IRSG charter.

(12) As necessary, identify and coordinate Armywide topics involving FM operations or with FM implications in accordance with AR 36–2.

1–5. The Army Auditor General

The Army Auditor General will report to the Secretary of the Army (SECARMY) and is responsible for the operational performance of the U.S. Army Audit Agency (USAAA). The Army Auditor General, in accordance with the functional responsibilities delegated by the SecArmy and codified in AR 36–2, will exercise responsibility for the conduct of the audit function in the Army and entities for which the Army provides resources. This responsibility is separate and distinct from responsibilities pertaining to the Army IR Program, which is the responsibility of the Assistant Secretary of the Army (Financial Management and Comptroller), as delegated by the SecArmy and codified in AR 11–7.

1–6. Commanders and heads of Headquarters, Department of the Army activities

Commanders of ACOMs, ASCCs, and DRUs; heads of HQDA activities; and U.S. Property and Fiscal Officers (USPFOs) will—

- a.* Establish and adequately resource IR offices as part of the command and control process to accomplish local command missions.
- b.* Ensure IR offices are organizationally aligned as independent activities that report directly to the commander, principal deputy commander, or Chief of Staff of their respective installation/garrison, division, district, or activity. As an independent office, the IR office shall not be aligned under another directorate or staff section.
- c.* Ensure that state-level National Guard IR offices are organizationally aligned under and report directly to the USPFO (that is, the independent Federal official in each state) in accordance with National Guard Regulation 130–6, United States Property & Fiscal Officer Appointment, Duties, and Responsibilities.
- d.* Ensure all IR auditor positions (to include IR director/chief positions) are designated as and meet the position classification requirements for the GS–511 Professional Auditor Series, per Office of Personnel Management (OPM) guidance.
- e.* Ensure all IR auditors obtain DOD Financial Management Certification and meet the requirements for CPE set forth in the DOD Financial Management Certification program.
- f.* Establish and maintain an effective follow-up program and provide liaison services to both internal and external organizations such as the Government Accountability Office (GAO), the U.S. Department of Defense Office of the Inspector General (DODIG), the USAAA, the Department of the Army Inspector General (DAIG), and the U.S. Army Criminal Investigation Command (USACIDC).
- g.* Ensure each local IR office develops an annual plan. The plan should be submitted to the activity commander, deputy commander, or chief of staff for review and approval. For National Guard Bureau (NGB) IR offices, the plan should be jointly approved by the State Adjutant General and the USPFO prior to the beginning of the period covered by the plan.
- h.* Ensure functional directors, division chiefs, and subordinate activities are given an opportunity to provide input for the command's IR annual plan.
- i.* Adjudicate and resolve disagreements between IR offices, subordinate commanders, and functional directors involving IR report results and associated recommendations.
- j.* Ensure garrison IR offices provide services to support local Army activities that do not have IR capabilities.
- k.* Ensure IR auditors are granted timely, unrestricted access (consistent with their security level) to all records, electronic and otherwise, needed in connection with an audit, review, inquiry, or other IR service.
- l.* Ensure functional directors, division chiefs, and subordinate activities fully cooperate with all IR internal audits and provide timely responses to all inquiries in support of IR audits in accordance with Department of Defense Instruction 7600.02.
- m.* Ensure that assigned IR personnel complete professional training (or equivalent) to comply with CPE requirements prescribed by GAGAS. Where appropriate, ensure an additional skill identifier (ASI) is awarded to military auditors who are qualified as auditors or accountants.
- n.* Ensure that Army special access programs (SAPs) are adequately prioritized and considered in the command's IR annual plan. At least one member of the IR staff should be cleared for access to the command's SAP.
- o.* Ensure the local IR office is included in any staff officer orientation briefings and/or training to ensure new members of the command understand the office's function and its availability to assist new staff members in accomplishing their respective missions.
- p.* Ensure the local IR office has a conducive working environment affording the necessary privacy for performing sensitive work. Ensure, at a minimum, that IR offices have access to team rooms or conference rooms for private briefings and telephone conversations as well as locking file cabinets or other secure storage arrangements.

1–7. Internal review directors and chiefs

The IR directors or chiefs at all Army activities will—

- a. Serve as the principal advisor to the commander on internal control and audit matters.
- b. Ensure IR services are delivered in accordance with GAGAS and appropriate DOD/DA policies and regulations.
- c. Advise and assist the commander on audit activity being conducted by USAAA, GAO, DODIG, and other external oversight organizations.
- d. Direct, manage, and execute the full range of IR services prescribed in this regulation consistent with the needs of their customers.
- e. Establish and maintain a risk assessment file in accordance with paragraph 3–1e.
- f. Develop and annually update a flexible IR annual plan identifying areas most relevant to the command. The risk assessment file discussed in paragraph 3–1e of this regulation and command staff input should be used in developing the annual plan. The annual plan must be approved by the commander, deputy commander, or chief of staff. For NGB IR offices, the annual plan must be jointly approved by the State Adjutant General and USPFO prior to implementation.
- g. Provide a copy of the signed IR annual plan to the organization inspection program coordinator, in accordance with AR 1–201.
- h. Elevate through the chain of command to the IR proponent results of audits that have Armywide implications. Release of local audit information must be in accordance with paragraph 2–4d.
- i. Ensure proper career development and compliance with the DOD FM Certification Program for all subordinate IR personnel, to include professional training and continuing education.
- j. Establish an internal quality control program in accordance with GAGAS and this regulation which evaluates the quality and level of service provided by the IR activity and subordinate IR elements. The internal quality control program has a two-pronged approach—
 - (1) ACOM/ASCC HQ IR offices should complete external peer reviews. These reviews will be completed using the appropriate Council of the Inspectors General on Integrity and Efficiency (CIGIE) guide at this link: <https://ignet.gov/content/ig-peer-reviews>.
 - (2) IR directors and chiefs should ensure each audit is reviewed to ensure compliance with GAGAS.
- k. Provide technical advice, assistance, and consultation on internal controls to the local commander and assessable unit managers, as necessary.
- l. During IR engagements, evaluate the effectiveness of internal controls, the adequacy of internal control evaluations, and the effectiveness of actions taken to correct material weaknesses.
- m. In accordance with AR 11–2, ensure that weaknesses identified during IR audits or external audits are considered during preparation of the commander’s annual statement of assurance.
- n. If aligned at the headquarters of a reporting organization, review the organization’s annual statement of assurance and provide the commander an assessment of its thoroughness and validity.
- o. In accordance with AR 36–2, establish and maintain an audit recommendation tracking system and an effective follow-up system for both internal and external audit reports. Within this tracking system, track and follow-up on all internal and external audit recommendations affecting the local command.
- p. Serve as the commander’s principal official for liaison coordination with external audit organizations (for example, GAO, DODIG, USAAA) by performing the following functions:
 - (1) Assist the command, in coordination with HQDA elements, with understanding audit objectives, sites, milestones, and other information involving ongoing or proposed audits.
 - (2) Arrange entrance conferences, discussions, and exit conferences with both internal and external audit organizations and appropriate organization officials.
 - (3) Ensure timely, accurate, adequate, responsive, and coordinated comments are provided to draft audit findings and recommendations.
 - (4) Ensure proper tracking, closeout, and follow-up of external audit recommendations.
- q. Ensure that all data obtained during IR audits is safeguarded or destroyed, as required.
- r. Conduct follow-up audits of external audit recommendations.
- s. Ensure the local IR office undergoes an external peer review not less than once every 3 years.
- t. Submit semiannual reports to HQDA through each respective Army command, Army service component command, or direct reporting unit. Semiannual reports will comply with the format specified in appendix C of this regulation.

Chapter 2

The Internal Review Program

2–1. Staff relationships

IR offices are an integral part of the commander’s personal staff and/or special staff management team that is functionally aligned as an independent office along with the Inspector General and other special staff elements. The IR director or

chief should be aligned as both a personal and special staff officer, and he/she should work closely with other special staff elements to achieve a complementary effort. As a member of the commander's personal staff, the IR director or chief will have direct access to the commander whenever required. At other times, the IR director or chief will function as a member of the special staff.

2-2. Internal review and audit compliance concept

a. The fundamental tenet of Army management philosophy is that commanders at all levels are responsible for accomplishing command missions and for maintaining effective stewardship of command resources. Commanders are responsible for complying with all applicable laws, policies, procedures, and regulations; for achieving program objectives; and for ensuring the accuracy, propriety, legality, and reliability of their actions.

b. IR is an independent and objective review and analysis activity within the command designed to add value and improve command or supported activity operations. IR helps commanders accomplish their mission objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and command oversight. IR engagements are based on statutory, regulatory, and command requirements; valid requests for services; and needs developed from risk assessments. IR auditors will—

- (1) Meet the stated objective(s) of the audit;
- (2) Provide assurance or conclusions predicated on an evaluation of documentation and data against objective criteria (that is, specific requirements or measures);
- (3) Provide management and those charged with governance and responsibility to oversee or initiate corrective action(s) an objective analysis that may improve a program's performance and operation, reduce cost, facilitate decision making, and/or contribute to public accountability.
- (4) Review the effectiveness of internal controls that are in place and evaluate command compliance.

c. The IR program must be flexible to meet the immediate needs of commanders. IR offices address these needs through timely audits, risk assessment, and increased emphasis on new or real-time controls. IR emphasizes responsive, solution-oriented services using professional methodologies, staff facilitation, commander-oriented focus, local knowledge, current technology, and objectivity to make recommendations for improvement and manage inherent risks.

d. Services provided by IR offices will include, but are not limited to the following—

- (1) Audit services (specific to the command or activity).
- (2) Financial statement audit readiness and sustainment.
- (3) Antideficiency Act violation investigations.
- (4) Liaison with internal and external audit organizations.
- (5) Audit follow-up.

2-3. Program objective

a. The Army IR Program provides an independent, objective audit and analysis activity within the command designed to add value and improve the command's operations. IR helps an organization accomplish its objectives by bringing a systematic, disciplined approach to foster a positive and strong management control environment and to evaluate and improve effectiveness of risk management and governance processes. The objective of the Army IR Program is to provide commanders and their staffs with a full range of professional, timely IR services that support local decisionmakers and ensure effective stewardship.

b. The IR Program is a primary tool of the commander's system of command and control designed to mitigate risk and assure the effectiveness and efficiency of command operations.

2-4. Staffing

a. Army IR Program resourcing should be commensurate with assigned responsibilities. Staffing should be based on senior leader priorities and support command audit readiness requirements.

b. The IR staff will be comprised primarily of qualified audit professional personnel. The grades of personnel will be established and maintained in accordance with standard Army civilian personnel position descriptions. IR auditors will earn CPE credit hours sufficient to comply with the following—

- (1) DOD FM certification requirements.
- (2) GAGAS continuing education requirements.
- (3) Requirements associated with maintaining professional certifications (for example, Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Government Auditing Professional, Certified Defense Financial Manager, and so on), if applicable.

c. IR directors and chiefs may temporarily augment their local IR staffs with military or civilian experts to meet special technical requirements associated with individual engagements. Such experts may include industrial engineers, com-

puter analysts and/or specialists, management analysts, statisticians, or other such personnel with special skills. In exercising their discretion to augment IR staffs, commanders will ensure compliance with this regulation and GAGAS with regard to using the work of others.

d. The National Guard will staff USPFPO IR offices competitively with civilian employees to maintain an independent outlook and appearance and to fully comply with professional standards and this regulation. National Guard M-Day and Army Reserve Troop Program Unit Soldiers should be qualified for the position assigned. These personnel should also be encouraged to obtain the ASI or skill identifier (SI) established by U.S. Army Human Resources Command for military auditors. The Army's goal is to have all military personnel that are qualified as an auditor or accountant to be identified with the ASI or SI.

e. Contractor augmentation is authorized to technically augment or supplement the on-board IR staff on a temporary basis. In these instances, the IR office will perform necessary contract oversight as required by the cognizant contracting officer.

2-5. Training

a. IR personnel must be properly trained to maintain the skills and knowledge required to operate an effective IR Program as required by this regulation. Commanders will ensure IR personnel meet training requirements to maintain professional certifications (for example, CPA, CIA, and so on); to meet the training standards specified in employees' position descriptions; and to comply with the training standards specified in GAGAS, the DOD Financial Management Certification Program, and DOD/FM policy.

b. As the functional proponent for the Comptroller civilian career program (CP 11), ASA (FM&C) will provide professional training guidelines and opportunities for all IR personnel. The principal source of training for IR personnel will be training programs identified and established by the DASA (FO). These programs are intended to provide uniform IR training Armywide and to expand individual qualifications to maximize the utilization of professional resources.

c. IR personnel are encouraged to obtain professional certifications. Expenses for obtaining professional certifications may be reimbursable by HQDA. IR personnel seeking reimbursement for such expenditures must contact the ASA (FM&C) Proponency Office prior to incurring any expenses.

d. IR directors will follow established OPM policies in granting IR personnel excused absences to obtain professional certifications.

2-6. Scope of work

a. The scope of work performed by IR offices may encompass all aspects of management, internal controls, programs, functions, transactions, records, systems, and documents. IR personnel shall be entitled to full and unrestricted access to all personnel, facilities, records, reports, databases (read only), documents, and other information/material (equivalent to their security clearance) needed to accomplish announced audit objectives. Only the commander may restrict the access of IR personnel to an area under their control; when this happens, the reason for the restriction must be documented in the IR files.

b. Any scope limitations may impact the IR auditor's ability to form an opinion. IR reports will clearly document any scope restrictions with an explanation of the impact on the auditor's opinion.

c. IR services will normally include performance of audits, audit readiness and sustainment activities, follow-up audits, audit liaison, and consulting/advisory services. In determining the type of service to be provided, the IR director/chief should evaluate, among other considerations, how the information will be used and the time required to complete the work.

d. Reports generated by local IR offices and all supporting documents will be considered part of the command/management deliberative process; as such, these documents are not available for release outside the command without the commander's approval or under a Freedom of Information Act (FOIA) release request approved by the command Staff Judge Advocate's office and the command's FOIA officer.

2-7. Relationships with oversight organizations

There are several audit and investigative organizations internal and external to the Army whose missions impact command operations and with whom liaison and coordination relationships are to be maintained. The most commonly encountered organizations are:

a. Government Accountability Office. The GAO is a federal agency of the legislative branch of the U.S. Government which performs audits, evaluations, and surveys of governmental organizations and functions as directed by Congress.

b. Department of Defense Inspector General. The DODIG may initiate, conduct, and supervise audits within the DOD which have been requested by the Secretary of Defense or which the Inspector General considers appropriate.

c. U.S. Army Audit Agency. Operating under the authority of the Army Auditor General, the USAAA is the DA's central audit organization. The USAAA furnishes audit services to organizations at all levels throughout the Army.

d. Department of the Army Inspector General. The DAIG provides the SECARMY and the Chief of Staff, Army (CSA) with periodic reports on issues throughout the Army involving discipline, efficiency, economy, morale, training, and readiness. The Office of the U.S. Army Inspector General provides DA with a continual assessment of the command, operational, logistical, and administrative effectiveness of the Army.

e. U.S. Army Criminal Investigation Command. USACIDC conducts sensitive or special interest investigations as directed by the SECARMY or the CSA; plans for and provides personal security (protective services) for DOD and DA officials as designated by the SECARMY or CSA; provides criminal investigative support, including forensic support, to all Army elements; maintains overall responsibility for Army investigations of controlled substances; and conducts and controls all Army investigations of fraud, serious crimes, less serious crimes, and other crimes arising in Army procurement activities. The specific functions and responsibilities of USACIDC are described in AR 10-87 and AR 195-2. USACIDC works closely with USAAA and local IR offices.

2-8. Guidance

a. Commanders may use IR resources in any role consistent with the concepts and policies contained in this regulation. In exercising this broad discretion, commanders should consider the following:

(1) IR offices, when performing engagements, will comply with GAGAS, the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing, this regulation, and other applicable DOD and Army policies and regulations. If a situation is identified whereby a conflict arises among these sources of published guidance, GAGAS will take precedence.

(2) IR offices shall not schedule cyclic audits of appropriated or nonappropriated fund functions or activities, including those that may conflict with the GAGAS independence principle, unless the command has a documented reason for the exception and has implemented appropriate compensating control measures. The role of IR offices with regard to the Managers' Internal Control Program will be consistent with the responsibilities delineated in AR 11-2, thus maintaining the necessary independence while offering technical assistance.

(3) IR offices shall not be used to conduct regularly scheduled audits of nonappropriated fund instrumentalities (NAFIs) with a cash-basis, single-entry system of accounts. Normally, disinterested officers or independent public accountants (with approval by The Army Auditor General) will review such funds.

(4) IR personnel should not perform periodic or cyclic reviews of private organizations, including the following: Type 1-Federally Sanctioned (for example, Army Emergency Relief); Type 2-Nationally Affiliated (for example, Veterans Organizations); or Type 3-Independent (for example, thrift shops). Appropriated funds cannot be used for this purpose.

(5) IR offices may audit NAFIs, unit informal funds, and appropriated funds when the commander believes there are indications of fraud or misappropriation of funds or other assets, or when warranted by special circumstances. The reason for such audits will be documented. NAFI audits will be conducted in accordance with AR 215-1 and, for the Chaplain Corps, AR 165-1.

(6) IR personnel may not serve in operational roles outside of the IR organization. IR personnel may serve in an advisory role for command programs by providing advice on the establishment of automated systems, participating on process action teams, participating on source selection evaluation boards, and/or providing advice and assistance on the command's internal control process, so long as independence is maintained in accordance with GAGAS and IIA Standards. IR personnel may not develop or maintain financial records when participating as team members on process action teams; this is because the IR office may be called upon to validate project expenditures and/or projected savings. IR auditors must refrain from assessing specific operations for which they were previously responsible as this may impair independence or objectivity in fact or appearance. To ensure independence is maintained, IR personnel temporarily assigned to perform non-audit duties in positions outside of IR shall not be assigned to audit those activities for which they previously had responsibility until a reasonable period of time (at least 1 year) has elapsed. If the commander, in consultation with the IR director/chief, determines that an impairment to an IR auditor's independence may exist or be inferred, they must reassign the auditor.

b. The commander, in consultation with the IR director/chief, will determine whether the performance of a particular service is consistent with the guidance set forth in paragraph 2-8a(1).

2-9. Organizational interfaces

a. Due to a potential conflict with the Independence Standard promulgated by GAGAS, IR personnel should not be directly involved in the conduct of Lean Six Sigma (LSS) projects. These projects are considered to be non-audit services which are likely to have an impact on auditors' independence.

(1) The IR office's role in LSS projects will be limited to following up on implementation of approved LSS projects and validating projected and realized savings. IR offices will report the results of these validations to activity commanders.

(2) Based on the Independence Standard promulgated by GAGAS, IR personnel who served as a project leader or team member cannot, at a later date, validate the financial data from the project or conduct an audit of the activity or process; this is due to the potential appearance that results of the audit will not be viewed as impartial.

b. With the exception of the Installation Management Command IR offices at all levels (garrisons, district, and headquarters), all Army IR offices are exempt from reporting into the Installation Status Report.

c. IR, as an added evaluation source for commanders and directors to determine organizational readiness, shall support the Organizational Inspection Program (OIP) for coordination purposes (see AR 1–201). IR offices will provide to the organization's OIP coordinator a signed annual plan for conducting internal audits so that the coordinator can incorporate that plan into the overall OIP and, if necessary, work with the IR office to consolidate and/or coordinate inspection efforts. The IR office will also inform the OIP coordinator of additions and deletions to the annual plan throughout the year of execution. One of the principles of inspections outlined in AR 1–201 is to coordinate all inspection and evaluation efforts so that inspected organizations are not inspected at random but as part of a larger, coordinated plan that maximizes the organization's training and operational time while minimizing inspections.

Chapter 3

Internal Review Planning and Services

3–1. Annual planning

a. All IR offices will prepare an annual IR plan (schedule) containing projected workload for the staff. Due to the dynamic nature of the Army operating environment, the IR annual plans must be flexible enough to allow for higher priority, unscheduled work.

b. Planning emphasis should be on high-risk business processes and mission functions where the greatest benefit to the command can be reasonably anticipated.

c. Planning philosophy should encompass the following:

- (1) Meeting the priority needs of the commander and staff.
- (2) Making effective and efficient use of IR resources.
- (3) Maximizing review coverage of high-risk and high payback areas.
- (4) Providing audit services to the command.
- (5) Fulfilling internal and external audit follow-up, compliance and liaison requirements.

d. The Installation Management Command (IMCOM) IR office plans should support all tenants on the garrison. Tenants with IR authorizations should fill these positions in order not to put an undue burden on IMCOM IR offices. IR offices should coordinate each audit request with the involved command's headquarters IR office to ensure the command has visibility of the audit and the potential impact on other command units and/or installations.

e. Army IR offices will use the risk assessments completed by commanders and/or senior leaders as established in AR 11–2 as the basis for IR risk assessment files.

3–2. Audit services

a. Internal audits provide an objective examination of evidence for the purpose of providing an independent assessment of risk management, control, and/or governance processes within the organization and reasonable assurance that these processes are functioning properly.

b. GAGAS identifies the following types of audits and attestation engagements that may be performed:

(1) *Performance audits.* Performance audits are reviews that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis that supports management and those charged with governance and oversight.

(2) *Attestations.* Attestations cover a broad range of financial or nonfinancial objectives depending on the user's needs. GAGAS incorporates by reference the American Institute of Certified Public Accountants' (AICPA's) Statement on Standards for Attestation Engagements. An attestation engagement can provide one of three levels of service as defined by the AICPA, namely an examination engagement, a review engagement, or an agreed-upon procedures engagement.

c. IR audits will be accomplished in accordance with GAGAS and seek to solve known or perceived problems, provide information in support of decisionmaking, or take advantage of opportunities to improve efficiency or effectiveness.

IR offices should not provide nonaudit services to commanders without considering the effect providing these services will have on auditor independence as described in GAGAS.

d. Each audit will be adequately planned and documented, to include a written audit plan designed to accomplish stated objectives.

e. When auditors comply with all applicable GAGAS requirements, they should use the following language, which represents an unmodified GAGAS compliance statement, in the IR report to indicate that they performed the audit in accordance with GAGAS: “We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained during this audit provides a reasonable basis for our findings and conclusions based on our audit objectives.”

3–3. Financial statement audit readiness and sustainment

a. The Army IR Program has been identified as a major asset in the Army’s financial improvement plan. IR offices will have a continuing role in each of the following phases of the Army’s audit readiness framework:

- (1) Discovery and Gap Analysis.
- (2) Testing.
- (3) Corrective Action.
- (4) Sustainment.

b. The Commanders’ Audit Readiness Checklist is a general-purpose resource (not regulatory in nature) for use in supporting Army financial statement audit readiness efforts. This guide is available on Army Knowledge Online at the ASA (FM&C) Audit Readiness Web site.

c. Upon completion of the independent audit by an independent public accountant (IPA), IR offices will continue the sustainment of Army financial statement audit readiness by providing continuous oversight and assistance with the implementation of corrective actions to address issues identified during the audit.

3–4. Anti-Deficiency Act investigations

IR offices should be used to provide Anti-deficiency Act (ADA) investigating officers for the command and for those U.S. Army activities that do not have IR capabilities. The IR director/chief will ensure—

a. ADA investigations are conducted in accordance with Department of Defense Financial Management Regulation (DODFMR) 7000.14–R, Volume 14.

b. IR personnel appointed as ADA investigating officers are fully qualified in accordance with DODFMR 7000.14–R, Volume 14.

c. ADA investigations are completed in a timely manner in accordance with the timelines in DODFMR 7000.14–R, Volume 14.

3–5. Liaison

a. IR offices will serve as the primary action office or review focal point for monitoring all actions related to audits, surveys, and reviews performed by the Army’s audit organization (USAAA) or external audit agencies (GAO, DODIG, and commercial audit firms).

b. IR offices should assist command elements with coordinating entrance, exit, and in-process review meetings.

c. IR offices will assist and advise responsible command elements in preparing command responses.

d. IR offices should ensure command replies to internal and external audit products are reviewed for accuracy, adequacy, and, responsiveness; are properly coordinated with all responsible command elements; and meet all established suspense dates.

3–6. Audit follow-up

a. Audit follow-up is the collective effort between IR offices and commanders to ensure—

(1) Prompt and effective action is taken to implement agreed-upon recommendations contained in IR, USAAA, DODIG, GAO, and commercial review and/or audit reports;

(2) Internal controls are adequate to prevent recurrence of cited deficiencies.

b. IR directors and/or chiefs will maintain an audit recommendation tracking system. The system should contain sufficient data to provide commanders and their staffs with periodic reports on the status of corrective actions, highlighting justified and unjustified delays and, when feasible, a description of the effects of delayed corrective actions or the failure to take corrective actions.

3–7. Other nonaudit services

a. IR offices may perform nonaudit services, including those mentioned in prior sections (for example, financial statement audit readiness and sustainment, Antideficiency Act investigations, and so forth). Nonaudit services include all services that are not specifically covered by GAGAS (for example, consulting and advisory services).

b. IR offices must assess the impact providing nonaudit services has on their independence. In general, IR offices should not audit an area for which they previously provided consulting/advisory services due to the potential impact providing such services has on the office's independence.

c. When performing nonaudit services, IR offices shall include a statement indicating that the services they are providing are nonaudit services and that they were not performed in accordance with GAGAS.

Chapter 4

Internal Review Quality Assurance, Quality Control, and Peer Review

4–1. Quality assurance

a. An IR peer review (PR) program will be established and implemented in accordance with GAGAS and this regulation. Each IR office will undergo an external PR not less than once every three years. Schedule of external PRs will be administered and coordinated through HQDA IR. In the intervening years, IR directors and/or chiefs will conduct an internal self-assessment annually. The appropriate PR guide is at the following link: <https://ignet.gov/content/ig-peer-reviews>.

b. Personnel performing PRs will maintain sufficient documentation to support the PR results for outside audit.

c. The peer reviewers will prepare and provide a formal report to the organization's commander discussing any recommended improvements identified during the review.

d. The reviewed office will—

(1) Provide a formal report to the organization's commander discussing any recommended improvements identified during the review.

(2) Prepare and forward a written response to the reviewing office detailing proposed corrective actions and implementation milestones.

(3) Forward a copy of the PR report and the organization's response to the next higher headquarters within 30 days.

e. As required by GAGAS, an IR organization is not permitted to review the organization that conducted its most recent external PR.

4–2. Quality control

a. IR directors/chiefs will ensure that audit standards are implemented with each audit completed. As required by GAGAS, each audit file will contain an assessment of compliance with GAGAS.

b. The IR quality control checklist that must be completed and included in the supporting documentation for all IR audits is available at the following link: <https://ignet.gov/content/ig-peer-reviews>.

Appendix A

References

Section I

Required Publications

AR 11–2

Managers' Internal Control Program (Cited on the title page).

AR 36–2

Audit Services in the Department of the Army (Cited in para 1–4*b*(12)).

Section II

Related Publications

A related publication is a source of additional information. The user does not have to read it to understand this publication. DOD publications are available at <http://www.dtic.mil/whs/directives/>. GAO publications are available at www.gao.gov/.

American Institute of Certified Public Accountants (AICPA) Standards

(Available at <http://www.aicpa.org/>.)

AR 1–201

Army Inspection Policy

AR 10–87

Army Commands, Army Service Component Commands, and Direct Reporting Units

AR 11–7

Army Internal Review Program

AR 15–1

Department of the Army Federal Advisory Committee Management Program

AR 25–30

Army Publishing Program

AR 165–1

Army Chaplain Corps Activities

AR 195–2

Criminal Investigation Activities

AR 215–1

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

DODI 7600.02

Audit Policies (Available at <http://www.dtic.mil/whs/directives/index.html>.)

DODI 7600.06

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

DODI 7650.03

Follow-up on General Accounting Office (GAO), DOD Inspector General (DOD IG), and Internal Audit Reports (Available at <http://www.dtic.mil/whs/directives/index.html>.)

DODM 7600.07–M

Internal Audit Manual (Available at <http://www.dtic.mil/whs/directives/index.html>.)

FM 100–22

Installation Management

GAO-05-568G

Government Auditing Standards; Guidance on GAGAS Requirements for Continuing Professional Education (Available at www.gao.gov/.)

GAO-12-331G

Government Auditing Standards (Available at www.gao.gov/.)

Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General

(Available at <https://www.ignet.gov/content/manuals-guides/>.)

Institute of Internal Auditors Internal Audit Standards

(Available at <http://www.theiia.org/>.)

NGB 130-6

United States Property and Fiscal Officer Appointment, Duties, and Responsibilities (Available at <http://www.ngbpdc.ngb.army.mil/>.)

32 USC 1341

Limitations on expending and obligating amounts (Anti-Deficiency Act)

(Available at <https://www.gpo.gov/>.)

Section III

Prescribed Forms

This section contains no entries.

Section IV

Referenced Forms

DA Forms are available on the Army Publishing Directorate Web site <http://www.apd.army.mil>.

DA Form 11-2

Internal Control Evaluation Certification

DA Form 2028

Recommended Changes to Publications and Blank Forms

Appendix B

Peer Review Assessment

B-1. Function

The function covered by this publication is the Army IR and audit compliance (IR) PR assessment.

B-2. Purpose

The purpose of this evaluation is to assist IR chiefs and IR personnel in evaluating the compliance with the Government auditing standards as established by the GAO.

B-3. Instructions

a. This PR guide was developed to assist auditors when performing PRs of audit organizations and it shall be used when conducting PRs of IR offices.

b. IR offices will use the guide found at this link as appropriate for completing PRs: <https://www.ignet.gov/content/manuals-guides>.

c. This guide includes two major evaluation categories:

(1) CIGIE PR.

(2) Audit quality control checklist. Follow the checklist that is appropriate for the audit completed.

d. IR offices should not conduct PRs of their own organization. These external PRs are to be conducted in coordination with the HQDA IR Directorate.

Appendix C

Semiannual Reports

C-1. Function

The function covered by this appendix is the required format for IR semiannual reports submitted by IR activities to the DA IR office.

C-2. Purpose

The purpose of this appendix is to assist DA IR in obtaining information in various specified data elements from IR activities on a semiannual basis.

C-3. Instructions

The template at the following location is required for semiannual reports submitted by IR activities to DA IR: <https://www.us.army.mil/suite/doc/47343476> (access is restricted to members of the Army IR Community).

Appendix D

Internal Control Evaluation

D-1. Function

The function covered by this evaluation is the Army IR program.

D-2. Purpose

The purpose of this evaluation is to assist IR directors/chiefs and IR personnel in evaluating the key internal controls outlined below. It is not intended to cover all controls.

D-3. Instructions

a. This PR guide was developed to assist auditors when performing PRs of audit organizations and it shall be used when conducting internal control evaluations of IR offices.

b. IR offices will use the PR guide found at this link as appropriate for conducting internal control evaluations: <https://www.ignet.gov/content/manuals-guides>.

c. This guide includes two major evaluation categories:

(1) CIGIE PR.

(2) Audit quality control checklist. Follow the checklist that is appropriate for the audit completed.

D-4. Test questions

a. Have all IR personnel completed, every 2 years, at least 80 hours of CPE that directly enhances the individual's professional proficiency? Are at least 24 of the 80 hours of CPE directly related to the individual's assigned duties? Are at least 20 of the 80 hours completed in any 1 year of the 2-year period?

b. Is an IR PR program established and implemented in accordance with AR 11-7?

c. Has the Army IR Program undergone an external PR at least once every 3 years, with internal quality assurance reviews in the intervening years conducted by the IR director?

d. Is there an approved annual plan in place?

e. Is the local IR office positioned appropriately to ensure organizational independence?

D-5. Supersession

Not applicable.

D-6. Comments

Help make this a better tool for evaluating internal controls. Submit comments to the Assistant Secretary of the Army (Financial Management and Comptroller (SAFM-FOI)), 109 Army Pentagon, Washington, DC 20310-0109.

Glossary

Section I

Abbreviations

ACOM

Army command

ADA

Anti-Deficiency Act

AICPA

American Institute of Certified Public Accountants

AR

Army Regulation

ASA (FM&C)

Assistant Secretary of the Army (Financial Management & Comptroller)

ASCC

Army service component command

ASI

additional skill identifier

CIA

certified internal auditor

CIDC

Criminal Investigation Division Command

CIGIE

Council of the Inspectors General on Integrity and Efficiency

CP

career program

CPA

Certified Public Accountant

CPE

continuing professional education

CSA

Chief of Staff, Army

DA

Department of the Army

DAIG

Department of the Army Inspector General

DASA (FO)

Deputy Assistant Secretary of the Army (Financial Operations)

DOD

Department of Defense

DODFMR

Department of Defense Financial Management Regulation

DODI

Department of Defense Instruction

DODIG

Department of Defense Inspector General

DRU

direct reporting unit

FIP

Financial Improvement Plan

FM

Financial Management

FOIA

Freedom of Information Act

GAGAS

generally accepted Government auditing standards

GAO

Government Accountability Office

GS

general schedule

HQDA

Headquarters, Department of the Army

IG

Inspector General

IIA

Institute of Internal Auditors

IMCOM

Installation Management Command

IPA

independent public accountant

IR

internal review

IRSG

internal review steering group

LSS

Lean Six Sigma

NAFI

nonappropriated fund instrumentality

NGB

National Guard Bureau

OPM

Office of Personnel Management

PR

peer review

SAP

special access program

SECARMY

Secretary of the Army

SI

skill identifier

USAAA

U.S. Army Audit Agency

USACIDC

U.S. Army Criminal Investigation Command

USPFO

U.S. Property and Fiscal Officer

Section II**Terms****Internal Review Audit**

All types of IR tasks, including, but not limited to, audits, audit readiness and sustainment, follow-up work, and liaison with external audit agencies.

M–Day

Full mobilization

Section III**Special Abbreviations and Terms**

This section contains no entries.

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