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Financial Administration

COMPLIANCE WITH, AND FOLLOW-UP ON, AUDITS BY EXTERNAL AUDIT AGENCIES AND  
BY INTERNAL REVIEW DIVISION, OFFICE OF THE CHIEF OF STAFF,  
EIGHTH UNITED STATES ARMY

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\*This regulation supersedes USFK Regulation 37-10, dated 9 January 1985.

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FOR THE COMMANDER:

LEWIS F. SETLIFF III  
Colonel, GS  
Chief of Staff

OFFICIAL:



GARRIE BARNES  
Chief, Publications and  
Records Management

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**Summary.** This regulation sets forth the responsibilities for compliance with and the performance of follow-up reviews on audits (including reviews, surveys, and follow-ups) performed by external audit agencies (such as the US General Accounting Office (GAO), Department of Defense Inspector General (DOD-IG), US Army Audit Agency (USAAA), and commercial certified public accountant (CPA) firms and by the Office of the Chief of Staff, Eighth United States Army (EUSA), Internal Review Division (EAIR).

**Applicability.** This regulation is applicable to all Eighth Army staff offices and, except for references to USAAA and CPA firms, to all EUSA component commands including the subordinate commands and activities of each component command.

**Supplementation.** Issue of further supplements to this regulation by subordinate commands is prohibited without prior approval of EUSA, Internal Review (IR), ATTN: EAIR, APO AP 96205.

**Forms.** AK forms are available at [http://8tharmy.korea.army.mil/g1\\_ag/](http://8tharmy.korea.army.mil/g1_ag/).

**Records Management.** Records created as a result of processes prescribed by this regulation must be identified, maintained, and disposed of according to AR 25-400-2 or applicable service regulations. Record titles and descriptions are available on the Army Records Information System website at: <https://www.arims.army.mil>.

**Suggested Improvements.** The proponent of this regulation is Eighth Army Internal Review, ATTN: EAIR, APO AP 96205. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) to the Director, Internal Review and Audit Compliance, EUSA, ATTN: EAIR, APO AP 96205.

**Distribution.** Electronic Media Only (EMO).

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## **1. Purpose**

This regulation sets forth the responsibilities for compliance with and the performance of follow-up reviews on audits (including reviews, surveys, and follow-ups) performed by external audit agencies (such as the US General Accounting Office (GAO), Department of Defense Inspector General (DOD-IG), US Army Audit Agency (USAAA), commercial certified public accountant (CPA) firms and by the Office of the Chief of Staff, Eighth Army, Internal Review and Audit Compliance (EAIR).

## **2. References**

- a. AR 11-7 (Army Programs – Internal Review)
- b. AR 36-2 (Audit – Auditing Service in the Department of the Army)
- c. USCINCPACINST 7500.1M (Audits Conducted by the Department of Defense Assistant Inspector General for Auditing (DODIGA) and the Department of State Inspector General of Foreign Assistance (DOSIGFA))

## **3. Explanation of Abbreviations**

Abbreviations used in this regulation are explained in the glossary.

## **4. Responsibilities**

a. All references in this regulation, explicit or implied, regarding the responsibilities of management or managers shall be understood to exclude internal review elements. An exception would be if the specific internal review element is the principal activity being audited. Internal Review elements cannot take actions for, or with, managers because of internal review's responsibility for auditing management actions. Taking such actions could result in a conflict of interest.

b. Management, at all levels, have the primary responsibility for follow-ups (formal and/or informal) on audits, reviews, surveys, or follow-ups performed by external agencies and EAIR to ensure that adequate corrective actions are taken and remain in effect. Additionally, Eighth Army EAIR will conduct internal review follow-ups on corrections recommended by external agencies and EAIR as prescribed in this regulation. The command's guidelines for initiating follow-ups begin with the date on which the primary staff office's final reply was due in to EAIR as follows:

(1) Sixty days (60 days) for formal management follow-ups at the primary staff office level. If it becomes apparent that 70 or more days are needed, the additional time will be requested from EAIR.

(2) One hundred and twenty days (120 days) for EAIR follow-ups of pertinent activities' actions and of the formal management follow-up.

c. Eighth Army Command Coordinator and contact officers. A system of contact officers comprised of a Command Coordinator in the EAIR, Office of the Chief of Staff, Eighth Army, and contact officers at appropriate Eighth Army staff offices, major subordinate commands or activities. These individuals are responsible for providing close and continuing liaison with the external agency and EAIR during the conduct of audits; developing and preparing replies to audit 'reports;' and developing and presenting audited activity comments at exit conferences. Additionally, in connection with deficiencies disclosed during audits, they are responsible for

performing management follow-ups and internal review follow-ups, ensuring corrective action has been completed, and ensuring reporting is accomplished. (DOD-IG, GAO observations or memorandums and USAAA tentative findings and recommendations (TFARs) are treated as 'reports.')

(1) Command Coordinator. A member of EAIR will be responsible for coordinating all actions related to an audit by an external agency or EAIR.

(2) Contact Officers. Eighth Army staff offices, major subordinate commands or activities having an interest in the principal functions involved in the audit will designate a contact officer. The contact officer's inherent responsibilities include:

(a) Providing constant liaison with audit representatives. This includes necessary administrative and logistical support such as work space and access to a telephone.

(b) Maintaining a complete file on actions pertaining to a particular audit.

(c) Briefing, upon request, members of the Eighth Army Command Group, or staff offices, major subordinate commands or activities on the current status of the audit or on reported deficiencies, corrective actions taken or to be taken, and on proposed replies to audit 'reports.'

(d) Preparing comments for presentation at the exit conference on the audit findings and recommendations and corrective actions initiated. Development of this presentation should be a continuing process during the course of the audit. Source material should include informal draft reports, notes on activity exit conferences or out briefings, and similar items.

d. EAIR is responsible for:

(1) Performing internal review follow-ups on audits, reviews, surveys, or follow-ups conducted within Eighth Army command, staff offices, major subordinate commands or activities by external agencies or EAIR.

(2) Reporting the results of EAIR reviews, and distributing reports from external audit agencies, to the audited Eighth Army command or activity for response.

(3) Furnishing to the Eighth Army Chief of Staff with a copy of each audit report containing significant repeat findings, the response to it from the audited Eighth Army office, major subordinate command or activity, and the comments of the pertinent staff office(s).

(4) Maintaining a complete file of all actions on every internal review follow-up.

(5) Periodically compiling and distributing a checklist of deficiencies (with Eighth Army command guidance) from current internal review and external audit reports which are considered to be of sufficient importance and interest as to require prompt attention by operating supervisors. The purpose of these checklists is to furnish operating officials a management tool for improving operations and strengthening operational readiness. The checklist focuses attention on the more significant and/or repetitive deficiencies of Eighth Army activities disclosed by external audit agencies and by EAIR. The checklist covers specific problems that requiring continued surveillance to avoid similar situations or preclude recurrence throughout the Eighth Army command.

e. The Eighth Army staff office which has primary interest in an audit, review, survey, or follow-up is responsible for:

(1) Ensuring that its supervisors at all echelons act to improve operations and internal controls on a continuing basis.

(2) Determining the underlying causes of reported deficient conditions and effecting lasting improvements in operations by eliminating these causes. This includes deficient conditions reported by external audit agencies and by the internal review elements of Eighth Army, and 19th Expeditionary Sustainment Command (ESC).

(3) Establishing a tracking system that will give the current status of corrective actions being taken that will result in the complete implementation of all audit, review, survey, and follow-up recommendations in which the command concurs. Tracking will continue until all adverse conditions have been completely eliminated. The tracking system must include maintaining adequate explanations on file for any corrective actions that were not completed on or before the target dates set forth in the Eighth Army final reply to an external audit agency 'report' or the primary staff office's final reply to EAIR reports.

(4) Ensuring that the reply for each recommendation paragraph or subparagraph in an audit, review, survey, or follow-up 'report' that is pertinent includes a statement of concurrence or nonconcurrence with each recommendation, and applicable estimated monetary benefits. The reply must also include the full rationale for any nonconcurrences, specific corrective actions taken or planned, completion dates for each corrective action already taken, and target dates (as specific as possible) for each future corrective action.

(5) Updating replies to draft report or indicating that the previous statement is still valid since they need not repeat the Eighth Army statements made in the command replies to DOD-IG and GAO observations or memorandums or USAAA tentative findings and recommendations (TFARs) and/or in report of exit conference. Similarly, replies to final reports need not repeat the statements made concerning the draft reports but must update them or indicate that the previous statement is still valid.

(6) Reviewing thoroughly the replies from Eighth Army staff offices, subordinate commands, or activities to the 'report' and promptly furnishing a fully adequate, complete, and responsive reply to EAIR indicating the official staff office position. As much, or as little, of the replies as the primary staff office deems is appropriate will be made part of the full primary staff office's reply.

(7) Initiating formal management, not internal review, follow-ups at pertinent Eighth Army commands or activities within 60 days from the date on which the primary staff office's final reply was due at EAIR. The staff office which has primary interest in the audit, review, survey, or follow-up, will perform the management follow-up. If requested by the primary staff office, other staff offices, and/or Eighth Army will provide personnel to assist in the follow-up and notify their subordinate activities to prepare for, and cooperate with, the follow-up team. At the conclusion of the management follow-up, EAIR will be notified within 90 days from the due date of the primary staff office's final reply, as follows:

(a) Completion dates for each corrective action taken.

(b) Target dates (as specific as possible) for each future corrective action.

(c) Whether the completed actions have eliminated cited deficiencies.

(d) Whether adequate new or revised operational and supervisory procedures (e.g., management surveillance responsibilities, SOPs, job descriptions, checklists, etc.) have been established which will preclude recurrence of the deficiencies. (If not, explain why.)

(8) Keeping EAIR informed of the name, rank or grade, position title, and telephone numbers of the management person designated to ensure that all of the above primary staff office responsibilities are being accomplished.

f. Eighth Army staff offices (other than the primary staff office) and Eighth Army subordinate commands are responsible for the same actions contained in paragraphs 4e(1) through (4) above in addition to the following:

(1) Furnishing a written response, when a repeated deficiency and/or a nonconformance is involved, signed by the commander or staff principal, to the primary staff office by the established suspense date, stating:

(a) What corrective actions have been taken on each cited repeated deficiency.

(b) What program in effect to preclude their recurrence.

(c) The specific reasons why the deficiency was not corrected when pointed out by the previous audit.

(d) Full rationale for any nonconformances.

(2) Reviewing thoroughly activities' replies to the 'report' of audit, review, survey, or follow-up, and promptly furnishing a fully adequate, complete, and responsive reply to the primary staff office indicating the Eighth Army command, other staff office, or subordinate command position. This will include any revisions (coordinated, usually by telephone or email, with the activities) that are needed to achieve a suitable reply.

(3) Keeping the primary Eighth Army staff office informed of the name, rank or grade, position title, and telephone numbers of the management person designated to ensure that all responsibilities of subparagraphs (1) and (2) above are being accomplished.

g. Eighth Army primary and nonprimary staff offices and Eighth Army subordinate commands and activities are responsible for using checklists of deficiencies, upon receipt from EAIR, for reviewing their appropriated and nonappropriated fund operations and ensuring that prompt corrective actions are taken where similar conditions exist. The deficiencies and command guidance in the checklists are applicable Eighth Army command-wide.

(1) There is an urgent need for commanders to effectively utilize audit or review reports in identifying and correcting similar deficiencies. Information furnished in the checklists reveal potential problems which, if not corrected, may impact adversely on Eighth Army's capability to manage its resources. Commanders will ensure that the result of audits or reviews are evaluated properly and those findings which are most significant and/or sensitive are accorded special attention by appropriate managers.

(2) There is no reporting requirement on the reviews made by operating officials regarding the checklists. It is suggested, however, that an informal record of the reviews made and the results thereof be maintained, together with a copy of the checklist, for review by inspectors and auditors.

## **5. Policy**

It is the policy of Headquarters, Eighth Army to:

a. Ensure that information provided to auditors is accurate and clearly presented to preclude the possibility of misinterpretation.

b. Ensure early resolution of differences; e.g., in regard to intentions or meanings, preferably before the completion of the field work by the auditors.

c. Maintain a system of contact officers for each specific audit to ensure that corrective actions on deficiencies are accomplished and reported.

d. Notification of audit.

(1) Upon receipt of a letter of notification from an external agency that an audit is scheduled to begin within the command (and before a EAIR audit or follow-up is to begin), the Command Coordinator will send out written notification of the audit to the appropriate Eighth Army component command and staff offices and activities.

(2) Letters of notification will state the purpose and scope of the audit, the date that it will commence, estimated duration of the field work, and the names and security clearances of the auditors assigned to the audit.

(3) Within two working days of receipt of the letter of notification, Eighth Army component commands and staff offices and activities will notify the Command Coordinator by telephone or email, of the name, rank, or grade, position title, and phone numbers of their contact officers. If an Eighth Army component command or staff office or activity cannot accommodate the audit at a particular time, it will promptly notify the Command Coordinator who will arrange a mutually acceptable time.

(4) Formal entrance conferences will not be held at this headquarters except for those audits which are considered to be significant because of scope, subject matter, or special interest.

(5) Based on the nature of the review, appropriate Eighth Army component command and/or staff office principals and commanders and/or activity commanders, or their representatives, will attend formal, command level, external agency or EAIR entrance (if one is held) and exit conferences.

e. The Command Coordinator will debrief activities, upon their request, or when considered appropriate by the Command Coordinator, concerning the progress of the audit, specific areas of interest, and information requested by audit personnel. When more than one Eighth Army component command or staff office or activity is involved, debriefing sessions will be conducted in an area centrally located and available to command personnel.

f. Exit conference.

(1) An exit conference will be convened upon completion of an audit. The purpose of the exit conference is to provide an opportunity for the auditors to brief command representatives concerning findings, conclusions, and recommendations and for any discussion necessary to achieve mutual understanding of the matters involved.

(2) Audit representatives will be requested to allow action officers in attendance to present their position after their presentation of each draft report finding and accompanying recommendations. Action officers will present their position verbally on the finding and recommendations at this time. The action officer's presentations will include a statement of concurrence or nonconcurrence with each recommendation and applicable estimated monetary benefits. The presentation will also indicate, as specifically as possible, the corrective actions taken or to be taken including the dates for both. These comments are intended to highlight any areas of disagreement between the audit representatives and the activities audited. It is not intended that differences be debated, but rather that a succinct statement of position be made. The comments presented will not be considered to represent the official position of this headquarters. The official position will be developed later.

## **Glossary**

AK	Army Korea
AR	Army Regulation
CPA	commercial certified public accountant
DOD-IG	Department of Defense Inspector General
DOD-IG(A)	Department of Defense Assistant Inspector General for Auditing
DOSIGFA	Department of State Inspector General of Foreign Assistance
EAIR	Eighth United States Army Internal Review Division
GAO	US General Accounting Office
SOPs	Standing Operating Procedures
TFARs	tentative findings and recommendations
USAAA	US Army Audit Agency