

CESWL-IR

DEPARTMENT OF THE ARMY
Little Rock District, Corps of Engineers
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Office Memorandum
No. 36-1-1

Audit
OPERATING POLICIES AND PROCEDURES

1. Purpose. This memorandum establishes procedures for conducting the internal review program within the Little Rock District (LRD).
2. Applicability. Applicable to all elements of the LRD.
3. References.
 - a. AR 11-7 and OCE Supplement 1, thereto.
 - b. AR 36-2 and OCE Supplement 1, thereto.
 - c. EP 570-1-1.
4. Concept.
 - a. Army management philosophy is that the District Commander is responsible for the accomplishment of his mission and for obtaining, safeguarding, accounting for, and properly using the resources necessary for that mission accomplishment. Full responsibility is vested in the District Commander for compliance with policies, procedures, and objectives; and for the accuracy, propriety, legality and reliability of his actions.
 - b. Internal Review Office will conduct real-time reviews of known or suspected problem areas of vital importance to the District Commander that are identifiable to the mission objectives of the District. Real-time review, simply defined, is a continuing review of command systems, procedures; and internal controls to ensure that they are properly implemented and operating effectively.
5. Objective. The overall objective of internal review is to furnish the District Commander with an independent and objective evaluation of operations and related controls. Internal review should not be used to augment existing operational or administrative staff, perform duties outside their area of responsibility or set policy or procedures.

6. Responsibilities.

a. The Internal Review Office will be responsible for conducting the District internal review program in accordance with applicable regulations.

b. Division and Office Chiefs and Resident Engineers/Managers, hereinafter referred to as "Operating Officials," will be responsible for (1) identifying areas of concern to the commander and (2) adequate and timely responses to review reports by respective operating officials.

c. Operating officials will be responsible for timely implementation of necessary corrective action as directed.

7. Program Development. An annual internal review program will be developed by the Internal Review Office for each calendar year. Programmed reviews will come from the following sources:

a. Reviews directed by higher authority.

b. Areas of concern identified by operating officials.

c. Areas of concern identified by the District Commander.

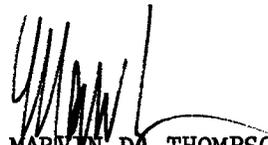
d. Suspected problem areas or weaknesses that could occur as identified in All Points Bulletins, HQUSACE reports, etc.

8. Area of Responsibility. The District internal review staff will conduct only those reviews that can be accomplished within the geographical boundaries of the LRD. All identified areas of concern requiring performance of review work in another district's geographical area will be referred to the Southwestern Division Audit Office for inclusion in their annual program.

9. Procedures. General procedures for conducting the District Internal Review program are contained in Appendix A.

FOR THE DISTRICT ENGINEER:

Appendix
APP A - Internal Review Program


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DISTRIBUTION A

APPENDIX A
INTERNAL REVIEW PROGRAM
General Procedures

1. Program Development.

a. During the last quarter of each calendar year operating officials will be requested to submit areas of concern to the District Commander for inclusion in the annual internal review program for the following year. All recommendations received will be prioritized and final selection of recommended areas of concern to be reviewed will be approved by the District Commander.

b. All recommendations will include:

- (1) Identification of the area of concern.
- (2) Justification for the review. Justification will identify the problem as a known or potential problem.
- (3) Suggested timeframe for review.
- (4) Recommended priority.

c. Upon approval of the annual program, operating officials will be notified of all reviews to be conducted in their respective division and the proposed time schedule for conducting the review.

d. Changes to the approved program will be approved by the District Commander.

e. All recommendations not selected for inclusion in the annual program will be retained for 1 year by the Internal Review Office and they will be considered for inclusion in the next annual program.

f. Operating officials will immediately notify the District Commander whenever the status of any recommendation changes from a potential to a known problem. Notifications may result in changes to the annual program depending upon the severity of the problem.

2. Elements of a Review. The following review elements require interaction between the internal review staff and the activity being reviewed.

- a. Entrance interview with operating officials.
- b. Systems survey.
- c. Field work phase.

- d. Exit interview with operating officials.
 - e. Draft report.
3. Entrance Interview. An entrance interview will be conducted with appropriate operating officials. Discussions will center on the purpose and scope of the review and the methodologies available to the auditor for conducting the review.
4. Systems Survey. A systems survey will be performed for each activity reviewed. The survey is a means of providing the auditor familiarization with the activity. The survey is conducted for three reasons:
- a. To review operations and prescribed systems of internal control.
 - b. To perform a conceptual evaluation of prescribed internal controls.
 - c. To evaluate compliance test results and substantiate the validity of the planned review strategy as identified in the stated objective(s).
5. Field Work Phase. The field work phase is that portion of the review in which a detailed analysis of transaction, records, systems, and procedures is conducted. During this phase the auditor will accumulate data to substantiate all findings. All findings will contain a condition cause, effect, conclusion, and recommendation.
6. Exit Conference. An exit conference will be conducted with appropriate operating officials at the conclusion of the field work phase. The purpose of the exit conference is to ensure that both the auditor and the operating officials have a clear understanding of all findings to be noted in the review, the cause(s) of the deficiencies noted and their effect on operations. Items of lesser significance noted during the review will also be discussed as a courtesy to operation officials.
7. Draft Report.
- a. A draft report will be prepared within 30 days after completion of the field work phase. The draft will include all findings and the auditor's recommendations (FARs). Draft reports will be sent to appropriate operating officials for comment.
 - b. Operating officials will receive only those FARs pertinent to their respective operation except in those cases where a FAR is applicable to at least two activities. In this case, the draft report will be forwarded to operating officials of both activities with a recommendation that the response be coordinated. All draft reports will contain a suspense date to ensure a timely response.

c. Operating officials will provide a separate response for each FAR. Each comment will indicate concurrence, nonconcurrence or partial concurrence with the FAR. In cases of nonconcurrence or partial concurrence, reasons therefore will be provided along with an alternative recommendation to correct the deficiency. Each response will also include a target date for implementation of corrective action.

d. All responses will be forwarded directly to the auditor. In no event will any comments be sent to the District Commander nor should he be involved prior to issuance of the final report.

e. The auditor will receive all comments to ensure they are responsive to the FARs and contain an implementation target date. Comments not meeting these requirements will be returned to the operating officials for further action.

f. The auditor will meet the operating officials to resolve all comments indicating nonconcurrence or partial concurrence. Every effort will be made to resolve such comments prior to issuance of the final report. Resolution may be obtained through one of the following ways:

- (1) Changing the operating officials' comment.
- (2) Changing or deleting the findings based upon the presentation of data not available during the review.
- (3) Changing the auditor's recommendation.

8. Final Report.

a. If concurrence is reached on all FARs contained in the draft report, a summary of the operating officials' comments and the implementation target date will be included in the final report without further comment by the auditor. The final report will then be forwarded to the District Commander for approval.

b. In cases where agreement cannot be reached with operating officials on a FAR, the auditor will include the operating officials' comments verbatim in the final report. If appropriate, the auditor will also provide a rebuttal to the operating officials' position. The final report will then be staffed through the operating officials to the District Commander for resolution. All resolutions by the District Commander will be final.

c. No report will be final until the District Commander has:

- (1) Rendered a decision to all unresolved FARs and
- (2) Approved the report and directs the responsible operating officials in writing to implement the recommendations.

9. Followup Action.

a. The review process will not be complete until all deficiencies noted in the final report have been corrected. A followup review will be scheduled no later than 120 days after the target date for implementing corrective action. Followup action will ensure that all corrective actions have been implemented and that the actions implemented are sufficiently effective to eliminate the noted deficiencies.

b. All repeat findings will be reported to the District Commander. Operating officials will then be required to submit a monthly status report to the District Commander reflecting the status of all corrective actions. When operating officials have reported that all corrective actions have been implemented, the auditor will reschedule a new followup action.