*CA ARNGR 11-7
CA ANGR 11-02

STATE OF CALIFORNIA
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Army/AIR Programs
CALIFORNIA NATIONAL GUARD INTERNAL REVIEW PROGRAM

This regulation implements and supplements AR 11-7, NGR 130-6/ ANGR 11-02. Further supplementation to this regulation is prohibited without prior written approval from this headquarters. This regulation authorizes personnel of the Internal Review Division access to all information considered essential for audits. This authorization applies to all organizations, programs, activities and functions of the California National Guard. The proponent for this regulation is CAUS-IR.

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*This regulation supersedes CAL ARNGR 11-7 dated 25 Sep 1991

CHAPTER 1

GENERAL

1-1. **PURPOSE.** This regulation prescribes the role and scope of the California National Guard's (CNG) federal review function and delineates the responsibilities of all participants. It is to be used in conjunction with AR 11-7, ANGR 11-02 and NGR 11-7. Consequently, this regulation is intentionally brief to avoid reduplication of the information contained in the AR, ANGR and NGR.

1-2. **APPLICABILITY.** This regulation applies to all elements of the California Army and Air National Guard. The proponent for this regulation is CAUS-IR. Questions or suggestions regarding its content should be referred to CAUS-IR.

1-3. **CONCEPT.** The Internal Review Division exists to conduct full scope audits, quick-reaction audits, consulting and advisory services of CNG programs to ensure and promote effective and efficient use of federal resources. The Internal Review Division also performs audit compliance functions by conducting follow-up reviews of recommendations contained in internal and some external audit reports.

1-4. **RESPONSIBILITIES.** The Chief of the Internal Review Division is responsible to The Adjutant General (TAG) and the United States Property and Fiscal Officer (USPFO) for the execution of the annual Internal Review Program and the day-to-day operation of the Internal Review Division. The Internal Review Steering Committee (IRSC) is responsible for the development of the annual Internal Review Program as described in Chapter 2 of this regulation.

CHAPTER 2

DEVELOPING THE ANNUAL INTERNAL REVIEW PROGRAM

2-1. **INPUT TO THE PROGRAM.** The Chief, Internal Review (IR) Division develops potential topics for the annual program from the following sources:

a. Reviews required by policy or regulation.

b. Direct solicitation of input from the TAG, USPFO, Senior Commanders, and Program Directors.

c. Auditor leads.

d. The Auditable Entity File (as explained in the glossary at Appendix A).

e. Suggestions submitted from other interested parties on the form at Appendix B. Upon receiving input from the sources indicated, the Chief, IR Division will be responsible for its consolidation, analysis, and presentation to the IRSC. When request for audit services are received throughout the year, the USPFO and Chief, IR Division will determine if the request will be approved or disapproved.

2-2. **THE INTERNAL REVIEW STEERING COMMITTEE (IRSC).**

a. The IRSC will be composed of the following individuals:

(1) The Adjutant General

(2) Assistant Adjutant General (Army)

(3) Commander, Air National Guard

(4) Chief of Staff, Air Division

(5) Chief of Staff, Army Division

(6) USPFO

(7) State Comptroller

(8) Inspector General

(9) Chief, Internal Review Division

The USPFO will serve as the Chairman of the IRSC. The Chief, IR Division will attend IRSC meetings as a facilitator.

b. The IRSC is responsible for prioritizing input presented by the Chief, IR Division. The IRSC's prioritization will be based upon the availability of audit resources, urgency of a proposed review, potential monetary benefits, and guidance from the TAG & USPFO.

2-3. **PROGRAM APPROVAL AND PUBLICATION.** After the IRSC prioritizes the audit topics, the Chief, IR Division will prepare the approved program for the signatures of the TAG and USPFO. The approved program will identify scheduled reviews to be conducted during the calendar year and unprogrammed reviews to complete if time is available. The Internal Review Program is developed on a calendar year basis and the target date for publication of the approved annual program is 1 January.

2-4. **CHANGES TO THE APPROVED PROGRAM.**

a. During the year, changes to the program may become necessary. Each IRSC member has the authority to request additional internal reviews or quick reaction audits. If numerous requests are received, a meeting will be scheduled with the IRSC. Such requests will normally be dealt with during a quarterly update of the program as described in Paragraph 2-4b.

b. The Chief, IR Division will publish & distribute a quarterly update to the annual program. The quarterly update will indicate completed audits and follow-ups. In addition, it will inform management of audits that have been initiated and the percentage completed. The update will indicate all additional reviews that are scheduled based on new requests.

CHAPTER 3

CONDUCTING INTERNAL REVIEWS

3-1. ASSIGNMENT AND SCHEDULING OF INTERNAL REVIEWS. The Chief, IR Division is responsible for assigning auditors to perform the reviews scheduled in the annual program. Although the program identifies the calendar quarter in which a review is anticipated to start, the Chief, IR Division is responsible for the final scheduling of each internal review project. Scheduling will take into consideration the peak work load (e.g. Annual Training) of the organization involved.

3-2. THE INTERNAL REVIEW PROCESS.

a. The steps involved in the conduct of a typical internal review are shown at Appendix C. Similar illustrations for quick reaction audits are shown at Appendix D.

b. All projects undertaken by the Internal Review Division will be conducted in a manner designed to cause the least possible disturbance to the activity and personnel involved. However, Offices of Primary Responsibility (OPR's) are expected to make available or provide access to all information required by an auditor to complete a review.

c. The OPR and audit team (Auditor-in-charge and team members) will develop a one-two page memorandum of agreement (contract) at the beginning of the audit. This contract will be signed by the OPR at the entrance briefing. The agreement will state the time period of the review, general and specific objectives, scope of the review, milestone dates, expectations of the OPR, and follow-up procedures.

d. OPRs will respond to tentative findings and recommendations within 30 days. If no response is received, the Chief, IR Division will contact the OPR and attempt to obtain the response within five days. If the OPR still does not respond, the USPFO will contact the OPR. A final written report must be issued within 45 days of receipt of the draft report.

e. IR Division is responsible to disseminate reports to the appropriate parties and to schedule an exit conference or briefing. Normal distribution for internal review reports will be to the OPR, next higher level of supervision or command, the Chief of Staff (Army & Air Division), and NGB.

3-3. ADJUDICATION OF DISPUTED RECOMMENDATIONS.

a. Resolutions of nonconcurrence between the Internal Review Division and an OPR is required when agreements concerning findings, recommendations, and monetary benefits can not be reached.

b. When unresolved opinions exist, the draft report or tentative findings and recommendations (TFARS) and the OPR's documented nonconcurrences will be forwarded in accordance with the following procedures:

(1) If the auditor-in-charge (AIC) does not agree with the OPR's nonconcurrence, he/she will forward additional justification through the Chief, IR to the USPFO.

(2) The USPFO will review all documents and establish an opinion. The USPFO will conduct a meeting with the IR Staff (Chief and AIC) and the OPR to resolve the issue at his level. This meeting will be documented by the AIC.

(3) If the issue is still not resolved by the USPFO and OPR, a copy of the draft report or TFAR, OPR's nonconcurrence, and the USPFO's written opinion will be forwarded to the TAG for final adjudication.

(4) After the TAG reviews the draft report or TFAR, OPR's nonconcurrence and USPFO's opinion, he will make a final decision on the issue. Key personnel will be informed of the TAG's decision and the issue will be closed.

(5) Documentation pertaining to nonconcurrences and the final adjudication decisions will be returned to the IR Division for filing in the appropriate workpaper files.

3-4 FOLLOW-UP REVIEWS.

a. The IR Division will conduct follow-up reviews on internal and some external audit reports. The purpose of the follow-up is to determine whether corrective actions specified and agreed to have been implemented and the problems solved.

b. OPR's will provide activity comments to draft audit reports. Replies will include milestone dates for implementing corrective actions for each recommendation. Milestone dates should be no more than 90 days after the OPR's activity comments. The OPR must respond to and track estimated monetary benefits and report actual amounts realized if monetary benefits were identified in the audit. It is management's responsibility to effectively implement agreed upon recommendations. Management will provide the IR Division correspondence that indicates recommendations have been implemented. (e.g. provide information copies of memorandums, standing operational procedures or policy letters to the IR Division)

c. The Internal Review Division will schedule follow-up reviews within 120 days of the date of the published report. The auditor will request written documentation or schedule on-site visits to verify corrective actions.

d. When follow-up results show that the corrective actions were inadequate, the auditor will prepare new recommendations. The activity manager will be required to take immediate corrective action and establish new milestone dates.

e. The Chief, IR Division through the USPFO will keep the Chief of Staff (Army & Air Division) advised on the status of recommendations.

APPENDIX A

Glossary of Terms

Auditable Entity File - A database of potential audit subjects, taken from outside advisory audit reports, previous internal review reports, leads from program directors, managers, auditors and from other sources. The database is ranked according to vulnerability, risk, potential monetary benefits and other factors. The file is used to help identify potential audit projects to include in the Annual Internal Review Program.

Auditor Leads - Information obtained by an auditor, usually collected during internal reviews, quick reaction audits and follow-ups that indicates a problem may exist (problem is outside scope of current audit) or follow-up.

Audit Program - Develops potential and actual weaknesses noted during the audit survey. (Internal Review, Step #3)

Audit Survey - Provides the auditor with a familiarization of the reviewed activity/program, and helps to detect potential weaknesses in management controls and program effectiveness. (Internal Review, Step #3)

Audit Compliance Function - Follow-up to ensure that corrective action has been implemented in response to findings or deficiencies identified in previous audit reports. This function includes ensuring that the corrective action has, in fact, successfully eliminated the deficiency.

Internal Review - An independent and objective evaluation of operations and related management controls.

Office of Primary Responsibility (OPR) - The office manager with the most direct authority over the program or activity being reviewed.

Plan of Action - Written outline of how a quick-reaction audit or follow-up will be executed. Includes: (1) Scope of the project, (2) assumptions affecting the conduct of the audit, (3) anticipated results, (4) methodology to be employed and the approaches to be used, (5) a description of the audit team, and (6) review schedule.

Go/No-Go Analysis - Determines whether an internal review should continue past the audit survey phase. An analysis of operations and management controls is made, and the auditor determines whether or not potential material weaknesses warrant additional work. (Internal Review, Step #5)

Tentative Findings and Recommendations (TFAR's) - TFAR's identify significant adverse conditions found during the verification phase, and their causes and effects. Additionally, TFAR's provide recommendations for alleviating the adverse conditions and effects. OPR's are given the opportunity to comment in writing on TFAR's. OPR's activity comments will be included in the final report. (Internal Review, Step #7)

Verification Phase - Used by auditors to fully develop the conditions identified during the audit survey. This objective is completed by checking, verifying, confirming, inspecting, and analyzing. Evidence may be physical, testimonial, documentary or analytical. (Internal Review, Step #6)

APPENDIX B

REQUESTING AUDIT SERVICES

California National Guard commanders, directorates and program managers may request audit services at any time. Our annual program is reviewed quarterly and updated when it is appropriate. The program is reviewed to ensure it continues to meet the specific needs of command. Requests for audit services received and approved after the published schedule will be included in the quarterly update.

To solicit audit services, forward your request to:

OFFICE OF THE ADJUTANT GENERAL
ATTN: CAUS-IR
9800 Goethe Rd - P.O. Box 269101
Sacramento, CA 95826-9101

REQUESTED BY:_____ DATE:_____

ORGANIZATION:_____ SUBJECT:_____

(SELECT ONE)

I. A FULL-SCOPE AUDIT IS REQUESTED: ( )

Comprehensive performance or financial audits. Examinations or evaluations of policies, processes, programs and management controls. This type of audit can take months to complete. They provide management detailed analysis of problems. Reports are prepared and submitted through the USPFO to the OPR and concerned parties. The Chief of Staff (Army or Air Guard) is provided an information copy to ensure implementation of appropriate actions.

II. A QUICK-REACTION AUDIT IS REQUESTED: ( )

Limited scope or narrowly defined performance or financial audits. Examinations or evaluations of known or suspected problems. They are normally time sensitive audits with a duration of six to thirty days. One or two specific objectives are identified. Reports are submitted through the USPFO to the OPR and concerned parties. The Chief of Staff (Army or Air Guard) is provided and information copy to ensure implementation of appropriate actions.

III. A CONSULTING/ADVISORY SERVICE IS REQUESTED: ( )

Services requested of the Internal Review Division which are not performance or financial audits. They include a variety of consulting and advisory services that employ the auditor's technical skills, education, observations, and experiences. Command is provided verbal or written advice in a short time frame. Examples are: serving as a facilitator for a Process Action Team (PAT), assisting management with their management control process, information gathering, analyzing proposed management actions to identify potential strengths and weaknesses.

IV. SCOPE OF THE REVIEW:

Describe why this area should be reviewed. Explain known or suspected problem areas. Describe time period or specific records & documents to be reviewed.

V. OBJECTIVES:

Identify one to four objectives you would like answered.

VI. SPECIAL CONSIDERATIONS:

Identify specific limitations which may impact on the scope, duration or results of the audit.

VII. REGULATIONS AND REFERENCES APPLICABLE TO THIS SUBJECT:

APPENDIX C

INTERNAL REVIEW STEPS

1. **ESTABLISH SCOPE AND OBJECTIVE.** Define purpose, nature and extent of the internal review.

2. **CONDUCT THE PRELIMINARY REVIEW.**
   a. Study background information to gain insight into the program or activity under review.

   b. Review operations and prescribe management controls.

   c. Do a conceptual evaluation of prescribed management controls.

   d. Evaluate compliance and substantiate validity of planned audit strategy.

3. **DEVELOP AN AUDIT PROGRAM (Survey Program).** Develop a written plan to focus on actual or potential weaknesses.

4. **HOLD AN ENTRANCE CONFERENCE.** Communicate the scope and objectives of the review to the OPR.

5. **PERFORM A GO/NO-GO MEETING.** Based on information gained during the audit survey, the auditors conduct a meeting with the Chief, IR to evaluate whether additional audit work is necessary.

6. **PERFORMS THE VERIFICATION PHASE.** Research and analyze weaknesses or conditions identified in the audit program.

7. **DEVELOP TENTATIVE FINDINGS AND RECOMMENDATIONS (TFARS).**
   a. Cite adverse conditions identified as significant in the verification phase, and the cause and effect of each condition.

   b. Develop meaningful recommendations

   c. Identify monetary benefits, if applicable.

   d. Communicate (written) TFAR's to the OPR. The OPR's written concurrence/nonconcurrence with the recommendation is incorporated into the internal review report.

8. **HOLD AN EXIT CONFERENCE.** Communicate the results of the internal review to the OPR, review the draft report, and resolve any disagreements over findings and/or recommendations. distribute to OPR and other interested parties.

APPENDIX D

QUICK-REACTION AUDIT (QRA) STEPS

1. **IDENTIFY OBJECTIVES.** The auditor and OPR must mutually agree on the objectives and the reporting date. Decide whether an oral briefing will be provided with the report.

2. **WRITE AN AUDIT PLAN.** Identify one or two specific objectives and list the abbreviated steps to accomplish these objectives. QRA's do not have to include a specific objective on management controls. Identify the scope and methodology to be used during the audit. QRA's must meet government auditing standards (GAS) and the statement regarding GAS must be included.

3. **RESEARCH, ANALYZE, DOCUMENT.** Background information is necessary, however, it will be abbreviated and focused on the information needed to answer the audit objectives. Sufficient and relevant information must be obtained to afford a reasonable basis for the findings and conclusions. A record of the auditor's work will be documented in workpapers.

4. **PROVIDE A WRITTEN REPORT.** A QUIRTS normally does not have a draft report. Therefore, the QRA will include a statement, "Management comments were not obtained and included in the report." The end product of a QRA may be a briefing instead of a report. A memorandum for record will be prepared and included in the workpapers in lieu of a written report. A customer may request limited disclosure of the QRA. This request will be documented in the workpapers.

30 November 1995

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(CAUS-IR)

BY ORDER OF THE GOVERNOR:

OFFICIAL

TANDY K. BOZEMAN
Major General
The Adjutant General

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