

# Inspector General

United States  
Department of Defense



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### **Acronyms**

CPE	Continuing Professional Education
DFAS	Defense Finance and Accounting Service
GAS	Government Auditing Standards
OIR	Office of Internal Review
PCIE	President's Council on Integrity and Efficiency



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

October 31, 2006

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING  
SERVICE, OFFICE OF INTERNAL REVIEW

SUBJECT: Quality Control Review of the Defense Finance and Accounting Service  
Office of Internal Review (Report No. D-2007-6-003)

We are providing this report for your information and use. We have reviewed the Defense Finance and Accounting Service (DFAS) Office of Internal Review (OIR) system of quality control for the fiscal year ended September 30, 2005. In our opinion, the DFAS OIR system of quality control for audits and attestation engagements performed during the fiscal year ended September 30, 2005, was designed in accordance with quality standards established by Government Auditing Standards. Further, the internal quality control system was operating effectively to provide reasonable assurance that DFAS OIR personnel were following established policies, procedures, and applicable auditing standards. Accordingly, we are issuing an unmodified opinion on the DFAS OIR system of quality control used on audits and attestation engagements for the review period ended September 30, 2005.

The Government Auditing Standards (GAS) require that an audit organization performing audits or attestation engagements, or both, in accordance with GAS have an appropriate internal quality control system in place and undergo an external quality control review at least once every 3 years by reviewers independent of the audit organization being reviewed. An audit organization's quality control policies and procedures should be appropriately comprehensive and suitably designed to provide reasonable assurance that they meet the objectives of quality control. We tested the DFAS OIR system of quality control to the extent we considered appropriate.

Appendix A contains comments, observations, and recommendations where DFAS OIR can improve its quality control program related to auditing and attestation engagement practices. Appendix B contains a summary of the results of our survey of OIR staff. Appendix C contains the scope and methodology of the review.

The Director of DFAS OIR provided comments to the draft report and described actions taken or planned that satisfy the intent of the report recommendations. Therefore, no further comments are required. See Appendix E for the full text of the comments.

We wish to express our thanks to you and your staff for your cooperation and professionalism. Please contact Mr. Robert L. Kienitz at (703) 604-8754 or Ms. Carolyn R. Davis at (703) 604-8877 if you have any questions. See Appendix D for the report distribution.

A handwritten signature in cursive script, reading "Patricia A. Brannin". The signature is written in black ink on a light-colored background.

**Patricia A. Brannin**  
**Assistant Inspector General**  
**for Audit Policy and Oversight**

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## Appendix A. Comments, Observations, and Recommendations

We are issuing an unmodified opinion on this quality control review because the concerns we identified during our review were not cumulatively significant to the findings, conclusions, or recommendations in the DFAS OIR reports reviewed. Also, the DFAS OIR demonstrated that it implemented internal procedures for monitoring its ongoing compliance with quality control policies and procedures. Specifically, the DFAS OIR performed an internal quality assurance review from February 2004 through March 2005 in which a team of staff auditors reviewed 24 projects completed by five<sup>1</sup> of the six site offices. Further, it plans to conduct another internal quality assurance review in FY 2007. The OIR wants to take corrective actions on any recommendations contained within this report, then conduct an internal quality assurance review to confirm corrective actions and evaluate overall compliance with DFAS OIR policies and procedures.

Although the concerns we identified did not affect our opinion, we found that the DFAS OIR could improve the quality control program and guidance for audits and attestation engagements related to the areas of Independence, Competence, Planning, Evidence and Documentation, Reporting, and Quality Control and Assurance. Implementing the recommendations identified below would improve the quality control system and help maintain an unmodified opinion.

**Independence.** GAS 3.03 states that audit organizations and individual auditors “should be free both in fact and appearance from personal, external, and organizational impairments to independence.” The standard includes those individuals who review the work or the report, and all others within the audit organization who can directly influence the outcome of the audit. The DFAS OIR Policy and Procedures Manual requires that the site manager confirm that individuals who are part of the audit team, including themselves, team leaders, staff auditors, staff with specialized skills, contractors, and subject matter experts, are free of impairments to their independence. The manual also requires that all assigned team members sign and document a Statement of Independence. The Statement of Independence form contains examples of impairments to independence that alert audit team members to situations that may cause them to limit their inquiries, disclosures, or findings, or deter them from making independent and objective judgments. The Statement of Independence form asks the team members to certify whether actual or potential impairments exist and to certify that they will notify appropriate officials if they later become aware of an impairment.

The audit teams for the six projects reviewed generally met the requirements of GAS for determining and documenting staff independence. However, we noted instances in which DFAS OIR could strengthen its independence documentation practices. For example, one project file did not contain an independence statement for the site manager and another did not contain either an organizational or an individual independence statement

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<sup>1</sup> The review excluded the Cleveland, Ohio site office because staff from that office made up most of the review team. The review report stated that the next internal quality assurance review would cover the Cleveland office’s working papers.

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for the contractor. For two projects, we noted an independence statement that did not show a mark to indicate the type of supervisor certification and an electronic signature by the next level supervisor.

**Competence.** GAS 3.42 states that the staff assigned to perform the audit or attestation engagement should collectively possess the technical knowledge, skills, and experience necessary to be competent for the tasks required. GAS 3.45 requires that auditors maintain their professional competence through Continuing Professional Education (CPE). Every 2 years, auditors should complete at least 80 hours of CPE in subjects and topics that directly enhance the auditors' professional proficiency to perform audits. At least 24 of the 80 CPE hours should be in Government-related topics and subjects. The DFAS OIR Policy and Procedures Manual requires that site managers form audit teams with staff members who collectively possess professional proficiency for the tasks required, including compliance with GAS CPE requirements, before work begins. The manual states that the OIR is responsible for maintaining documentation of CPE programs and activities completed by its staff. Staff members are responsible for maintaining evidence of their CPE credits in the form of training certificates or other evidence of course presentation and participation.

DFAS OIR staff who contributed to the six projects that we reviewed collectively possessed the technical knowledge, skills, and experience for the tasks required and maintained their professional competence through continuing professional education. However, one staff member was short six hours of meeting the 80-hour CPE requirement. In addition, we noted instances in which DFAS OIR could strengthen its CPE documentation practices. The DFAS OIR summary schedule of CPE hours earned by its staff for the 2004-05 measurement period contained errors. For example, it showed training that staff did not actually attend and hours that did not agree with certificates of training or other evidence of CPEs earned. The summary schedule also did not identify hours earned towards the 24-hour CPE requirement to take training in each 2-year period in Government-related topics and subjects.

**Planning.** GAS 6.04a and 7.02 state that work is to be adequately planned, and GAS 6.23 and 7.07 indicate that planning should be documented. GAS 6.07 states that, during the planning stages of an attestation engagement, auditors should communicate the nature, timing, and extent of testing and reporting, including the level of assurance provided and any associated restrictions on reporting to reduce the risk that the needs or expectations of the parties involved may be misinterpreted. Auditors should use their professional judgment to determine the form and content of the communication, although the GAS prefer written communication.

The six projects reviewed generally met the planning requirements of the GAS field work standards. However, we noted one instance in which DFAS OIR could improve the way it documents planning. Although the attestation project file contained an e-mail indicating that the team leader discussed the agreed-upon procedures with an official of the DFAS accounting directorate, it did not contain documentation of auditor communications concerning the level of assurance provided and any associated restriction on reporting. An engagement letter or an e-mail documenting the auditor's understanding with the client concerning the auditor services to be provided, assurances, and reporting restrictions would help the parties involved to fully understand the nature, timing, and extent of testing and reporting needed to meet expectations.

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In March 2006, DFAS OIR issued Chapter 1700, “Attestation Engagements,” to the DFAS OIR Policy and Procedures Manual. It indicates that the staff should document agreed-upon procedures they will use with the individuals who requested the review and the officials who are responsible for the area being reviewed. Further, the staff may use an engagement letter to the parties involved as documentation of these procedures.

**Evidence and Documentation.** Audit and attest documentation serves as the principal support for the auditors’ report. GAS 6.22 and 7.66 require that auditors prepare and maintain audit and attest documentation that supports findings, conclusions, and recommendations before auditors issue their report. GAS 6.24 and 7.68 state that audit and attest documentation should be appropriately detailed to provide a clear understanding of the work performed, the evidence obtained and its source, and the conclusions reached. Further, documentation should be appropriately organized to provide a clear link to the findings, conclusions, and recommendations contained in the auditors’ report.

The DFAS OIR Policy and Procedures Manual includes guidelines that working papers are to be:

- sufficiently detailed for an experienced auditor to understand what work was performed to support the findings, conclusions, and recommendations;
- legible and neatly prepared;
- restricted to matters relevant to the assignment objectives; and
- complete and accurate.

Working papers should also document:

- the purpose, source, scope, and conclusion of work performed;
- include cross-indexes to supporting documentation; and
- show that persons other than the preparer verified the mathematical computations contained within.

DFAS OIR working papers generally contained sufficient, competent, and relevant evidence to support the findings, conclusions, and recommendations in the six reports reviewed. However, we noted instances in which DFAS OIR could strengthen its documentation practices. For example, we noted spreadsheets that did not describe the work performed, state a purpose, or state whether the source of the data was a computer-based system, a third party, an auditee, or an auditor. Also, we found individual working papers with:

- insufficient detail about the kinds and sources of evidence presented;
- no information presented in one or more of the purpose, scope/procedure, source, and conclusion fields;

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- missing, incorrect, or insufficiently detailed cross-references needed to link the narrative within the working paper to the source of the information; and
  - extraneous, repetitive, disorganized, and unrelated information presented, which caused the link between the work performed and conclusions reached to be less clear.

Also, one project file did not contain sufficient documentation of action plan coordination between the OIR and management and management's agreement with the Action Plan identified in the report.

**Reporting.** GAS 8.45 states that "... evidence included in audit reports should demonstrate the correctness and reasonableness of the matters reported ..." GAS provides the following best practice as a means to help ensure compliance with this standard.

One way to help ensure the audit report is accurate is to use a quality control process such as referencing ... in which an experienced auditor who is independent of the audit verifies that statements of fact, figures, and dates are correctly reported, that findings are adequately supported by the audit documentation, and that the conclusions and recommendations flow logically from the support.

The DFAS OIR Policy and Procedures Manual, Chapter 1310, "Reviewing and Commenting on the Report," and Chapter 1330, "Independent Referencing," establish standard processes for reviewing DFAS OIR reports to ensure quality and adherence to applicable standards. Both chapters require that report reviewers confirm that report content and presentation comply with GAS and OIR policies and procedures.

The six reports reviewed generally met the form, contents, quality elements, and issuance and distribution requirements of the GAS reporting standards. However, we noted instances in which DFAS OIR could strengthen its report review practices. Three reports passed supervisory review and independent report referencing review although we found the following exceptions.

- One report did not include a statement that the audit was made in accordance with GAS.
- One report referenced summary working papers that did not include adequate cross-referencing to supporting source information.
- Two reports referenced spreadsheets that did not describe the work performed or indicate a purpose or the source of its data.
- Three reports referenced working papers that, on their own, either did not support or only partially supported the information presented.
- Three reports presented information concerning an element of a finding (e.g., condition or cause) that was not referenced to supporting evidence in the project documentation.



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During our review, we resolved most of the referencing issues through research of additional working papers in the project files. As a result, we determined that the referencing issues did not have a material effect on the overall validity of the three reports. However, we did identify report statements for which working papers did not provide convincing support for the matters reported. Examples of our issues with the quality of support for the three reports follows.

- It was difficult to retrace the auditors' logic and conclusions to support two cause statements because the auditors did not integrate specific references to supporting source information within the narrative of the working papers.
- Testimony from another audit organization used as support for a cause statement was poorly documented in the working papers and the working papers did not demonstrate that the auditors corroborated the testimonial evidence by reviewing the other organization's supporting working papers.
- Working papers used as support for an open material weakness presented within the Statement on Management Controls section did not indicate the source for the weakness and did not specifically state what business line reported the weakness. Additionally, the auditors did not include a copy of the draft statement of assurance described in the narrative of the working papers. All of which were needed to support the report statement.
- Working papers used as support for prior audit work described within the Statement on the Reliability of Computer Processed Data section did not include a cross-reference to the project file for the previous audit to demonstrate a link to the supporting source information. Further, a copy of the prior audit report included as evidence within the working papers did not support the report statement as written.

Although none of these deficiencies materially affected the overall conclusions of the reports, they demonstrate instances where improvements in report referencing and report review practices would increase the likelihood of preventing and detecting these types of deficiencies and help maintain the quality of DFAS OIR reports.

**Documentation of Project Quality Control.** GAS 3.51 requires that audit organizations prepare appropriate documentation to demonstrate compliance with its quality control policies and procedures. The DFAS OIR Policy and Procedures Manual requires the staff to complete and document checklists and other forms to remind staff of requirements. The manual requires that the team leader complete and the site manager review a project checklist to ensure that the team complied with GAS and mandatory OIR procedures before the report is distributed. In addition, it requires that the independent report referencing reviewer complete a referencing checklist to ensure that information and conclusions presented in the report are properly supported by the working papers before the final report is issued. Independent reviewers are to highlight or mark the report to show statements verified, convey exceptions through coaching notes for the team to address, and generate a coaching notes report to document the team's actions. Site managers are to sign off on the coaching notes report as evidence of their review.

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The audit teams for the six projects reviewed generally adhered to the project quality control procedures established to assure compliance with GAS. However, we noted instances in which DFAS OIR could strengthen its quality control documentation practices. Although independent report referencing reviews were done on the six reports reviewed, three project files did not adequately show that the site manager reviewed this important process. For example, edit and signoff history for two projects showed that the team leaders not only addressed the notes from the independent reviewers but also signed as the reviewer of the referenced reports and the completed referencing checklists. The third project file did not contain a completed referencing checklist and its edit and signoff history showed that the team leader both addressed the notes and signed as the reviewer of the referenced report. That project file also exhibited other shortcomings in quality control documentation. For example, its project checklist was only partially completed and it did not contain the final report.

**Recommendations.** We recommend that the Director, Defense Finance and Accounting Service, Office of Internal Review:

1. include as part of the next internal quality assurance review specific checks for compliance with independence documentation requirements and an assessment of the adequacy of the report referencing and referencing review process.
2. implement procedures to maintain summary data of the number of hours that staff earn towards the 24-hour continuing professional education requirement.
3. establish procedures to ensure that records of continuing professional education hours earned by staff are accurate; for example, periodically distribute summary data to staff for verification against their personal records.
4. provide appropriate training to enhance the adequacy of the report referencing and referencing review process.
5. re-emphasize to staff through written correspondence the importance of:
  - existing requirements to complete, sign, and document independence statements.
  - independence and project quality control documentation that is complete and demonstrates appropriate supervisory review.
  - complying with both the 80-hour and 24-hour continuing professional education requirements.
  - quality audit and attest documentation that is descriptive, specific, complete, and relevant.

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6. stress to senior audit management through written correspondence the importance of:

- supporting referencing training for all of their staff.
- existing requirements to evidence site manager review of the independent report referencing review process.

**Management Comments and Reviewer Response.** The Director, Internal Review concurred with all the recommendations and described actions taken or planned that we consider responsive to the recommendations. He stated that the Office of Internal Review will assure that the next quality assurance review includes steps to verify independence documentation and assess the report referencing and referencing review process. In addition, an all-hands conference will include mandatory training on report referencing and referencing review and an internal directive will highlight referencing quality control procedures and other critical elements of compliance with government auditing standards. The Director, Internal Review also stated that the Office of Internal Review is developing a project that will provide a central, automated tool for documenting, summarizing, and monitoring the staff's completion of continuing professional education. This project will include specific procedures for categorizing and tracking training on Government-related topics and subjects as well as procedures directing managers and staff to update and review records of continuing professional education. See Appendix E for the full text of the Director's comments.

## Appendix B. Summary of Survey Results Relating to GAS

We prepared a questionnaire to ascertain the DFAS OIR audit staff's knowledge of the GAS and DFAS OIR audit policies and to obtain comments relating to the application of the standards and policies. We sent questionnaires to 76 audit staff at the six DFAS OIR sites during the month of February 2006. We received responses from 62 of the 76 audit personnel (82 percent) during our review.

The survey contained questions on the GAS general standards, field work standards, and reporting standards. We received mostly positive responses to the 62 questionnaires received from the DFAS OIR personnel indicating that the audit staff had knowledge of the standards and audit policies and were following the standards and policies. We received only a few negative responses and limited comments to the questionnaires that did not reveal that the auditors had concerns with the organization providing information about standard and policies and based on experience were satisfied that the standards and policies were being followed.

There were a total of 30 questions relating to GAS in the questionnaire. We received 1,860 responses (62 personnel multiplied by 30 questions) to these questions of which 15 were negative responses. A summary of the results of the responses received follows.

	Number of Questions for Each Standard	Number of Positive Responses	Number of Negative Responses	No Opinion or Did Not Answer
<b>General Standards</b>				
Independence	7	390	5	39
Professional Judgment	1	57	1	4
Competence	1	59	0	3
Quality Control and Assurance	3	181	0	5
Criteria (Attestation Engagements)	1	52	0	10
<b>Field Work Standards</b>				
Planning	4	236	1	11
Internal Controls	2	119	2	3
Evidence	2	116	1	5
Supervision	2	118	1	5
<b>Reporting Standards</b>				
Reporting	7	405	4	25

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## Appendix C. Scope and Methodology

We reviewed the adequacy of DFAS OIR auditors' compliance with quality policies, procedures, and standards. We judgmentally selected six reports from a universe of 34 reports issued from October 1, 2004, through September 30, 2005, and tested the reports and related project documentation for compliance with the DFAS OIR system of quality control.

In performing our review, we considered the requirements of quality control standards and other auditing standards contained in the 2003 Revision of the Government Auditing Standards (GAS) issued by the Comptroller General of the United States. GAS 3.52 states:

The external peer review should determine whether, during the period under review, the reviewed audit organization's internal quality control system was adequate and whether quality control policies and procedures were being complied with to provide the audit organization with reasonable assurance of conforming with applicable professional standards. Audit organizations should take remedial, corrective actions as needed based on the results of the peer review.

We performed this review from October 2005 through August 2006 in accordance with standards and guidelines established in the April 2005 President's Council on Integrity and Efficiency (PCIE) "Guide for Conducting External Peer Reviews of the Audit Operations of Offices of Inspector General." In performing this review, we assessed, reviewed, and evaluated:

- the adequacy of the design of policies and procedures that the DFAS OIR established to provide reasonable assurance of compliance with GAS in the conduct of its audits and attestation engagements,
- staff understanding of quality control policies and procedures,
- independence documentation and records of continuing professional education to verify the measures that enable the identification of independence impairments and maintenance of professional competence,
- six reports and related project documentation to determine whether established policies, procedures, and applicable standards were followed, and
- internal procedures for monitoring, on an ongoing basis, whether the DFAS OIR system of quality control is suitably designed and effectively applied.

In selecting reports and site offices for review, we established the universe as the reports presented in the two consecutive DFAS OIR semiannual reports issued prior to the announcement of this quality control review in October 2005. We focused on reports issued from the DFAS OIR site offices of Indianapolis, Seaside, and Kansas City, which were not included in our prior quality control review. We reviewed projects that started

after DFAS OIR initially issued its policy and procedures manual in February 2003. Additionally, we reviewed a cross section of the types of audit work performed and a cross section of audit work related to DFAS business lines.

The following table identifies the specific reports reviewed.

<b>Project Number</b>	<b>Title</b>	<b>Date</b>	<b>Type</b>	<b>Business Line</b>
IN04PAP010IN	“Audit of Army Separation Debt – Round II”	March 9, 2005	Performance Audit	Military Pay
IN04PAA009DFAS	“Agreed-Upon Procedures Report: Check Issue Discrepancy Transactions”	March 28, 2005	Agreed Upon Procedures	Accounting
KC04PAA011DFAS	“Audit of Prior Period Adjustments”	October 29, 2004	Performance Audit	Accounting
KC03PAA048DFAS .001	“Management Letter: Improvements Needed in DFAS’ Accounting Procedures and Internal Controls for the Defense Agencies Identified During the FY2003 Fund Balance with Treasury Audit”	July 7, 2005	Performance Audit	Accounting
SS04SRC001CO	“FY04 Semi-Annual Audit of Erroneous Contract Payments at DFAS-Columbus (October 2003 – March 2004)”	December 1, 2004	Systems Review	Commercial Pay
SS05SRC004CO	“FY05 Semi-Annual Audit of Erroneous Contract Payments at DFAS-Columbus (October 2004 – September 2005)”	September 30, 2005	Systems Review	Commercial Pay

**Limitations of Review.** Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of noncompliance with it because we based our review on selective tests. There are inherent limitations in considering the potential effectiveness of any quality control system. Departures from GAS can result from misunderstood instructions, mistakes in judgment, carelessness, or other human errors. Projecting any evaluation of a quality control system is subject to the risk that one or more procedures may become inadequate because conditions may change or the degree of compliance with procedures may deteriorate.

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## **Appendix D. Report Distribution**

### **Other Defense Organizations**

Director, Defense Finance and Accounting Service  
Director, Internal Review, Defense Finance and Accounting Service

### **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

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Senate Committee on Armed Services  
Senate Committee on Homeland Security and Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Government Reform  
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform  
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform  
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform





## Appendix E. Management Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE  
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DDI

OCT 23 2006

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDIT  
AND OVERSIGHT, OFFICE OF THE INSPECTOR  
GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Comments to the Office of Inspector General, Department of Defense  
Draft Quality Control Review of the Defense Finance and Accounting  
Service Office of Internal Review (Project No. D2006-DIPOAI-0061.000)

Thank you for verifying our quality control system reasonably assures we comply with Government Auditing Standards. Your report provides an objective evaluation and useful recommendations to further ensure the quality of our audit work. The following are our comments to the six recommendations in the subject report:

1. Include as part of the next internal quality assurance review specific checks for compliance with independence documentation requirements and an assessment of the adequacy of the report referencing and referencing review process.

Internal Review response: Concur. We will assure the program steps of the next internal quality assurance review incorporate a verification for compliance with independence documentation requirements and an assessment of report referencing and the referencing review process.

Estimated completion date (ECD): September 30, 2007.

2. Implement procedures to maintain summary data of the number of hours that staff members earn towards the 24-hour continuing professional education requirement.

Internal Review response: Concur. We began developing a TeamMate project to better track and monitor the staff's continuing professional education (CPE). Each employee will be assigned a TeamMate folder with steps added for each training event. Each training event will include a narrative description, number of CPE hours earned by area, and an attached certificate. The detailed staff data will be linked to a summary level tracking sheet for reporting to management. The specific procedures for maintaining summary CPE data, including the categorization and tracking of the 24-hour Government-related training requirement, will be developed as part of this project.

ECD: March 31, 2007.

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3. Establish procedures to ensure that records of continuing professional education hours earned by staff are accurate; for example, periodically distribute summary data to staff for verification against their personal records.

Internal Review response: Concur. We have designated a central CPE coordinator and IR site coordinators with responsibilities for CPE tracking. As noted in our response to Recommendation 2, the implementation of our TeamMate CPE project will provide a central automated tracking and monitoring tool for documenting individual staff CPE courses, hours, dates attended, and training category. As part of this project, we will develop and disseminate procedures directing managers and their staff to update and review CPE information to ensure accurate and timely completion of CPE requirements.

ECD: March 31, 2007.

4. Provide appropriate training to enhance the adequacy of the report referencing and referencing review process.

Internal Review response: Concur. To address this issue, the next quarterly managers' offsite conference will include a discussion of report referencing and the referencing review process. In addition to management's ongoing monitoring of report referencing compliance, an all-hands conference or teleconference will include mandatory training on the topic of report referencing and the referencing review process.

ECD: March 31, 2007.

5. Re-emphasize to staff through written correspondence the importance of:

- existing requirements to complete, sign, and document independence statements.
- independence and project quality control documentation that is complete and demonstrates appropriate supervisory review.
- complying with both the 80-hour and 24-hour continuing professional education requirements.
- quality audit and attest documentation that is descriptive, specific, complete, and relevant.

Internal Review response: Concur. An internal directive will be issued highlighting these critical elements of GAS compliance for our audit and attestation engagements. We will post this directive to the IR ePortal page of the DFAS Intranet, require managers to monitor compliance, and evaluate consistency of application during our next internal peer review.

ECD: December 29, 2006 (Directive Only).

6. Stress to senior audit management through written correspondence the importance of:

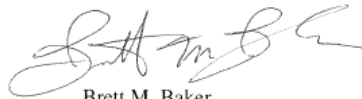
- supporting referencing training for all of their staff.
- existing requirements to evidence site manager review of the independent report referencing review process.

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Internal Review response: Concur. In April 2006 IR issued a standard form titled "Independent Reference Review Quality Control Certification" to stress the importance of independent report referencing and increase awareness of the critical nature of the report referencing process. The implementation of this form applied to all in-progress and future audits and attestation engagements. We will reference the certification form and stress our referencing requirements in the internal directive mentioned in our response to Recommendation 5.

ECD: December 29, 2006 (Directive Only).

If you have any questions, please contact Mr. Edward Romesburg, Deputy Director for Performance Review, at (614) 693-1283, DSN 869-1283.



Brett M. Baker  
Director, Internal Review



# Inspector General Department of Defense

