



DEPARTMENT OF THE ARMY  
OFFICE OF THE AUDITOR GENERAL  
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25 OCT 1996

MEMORANDUM FOR SEE DISTRIBUTION

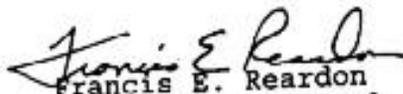
SUBJECT: Reporting Material Weaknesses in Management Controls

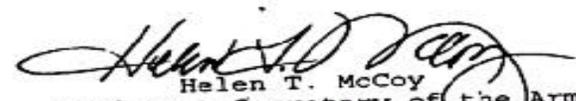
1 We recently completed a process improvement review of the Army Audit Agency's support of the management control process. The review team recommended one audit policy change that will give Army commanders a greater incentive to report material weaknesses. Customers often told us that reporting material weaknesses would result in greater audit scrutiny. We will address this perception and encourage the reporting of management control weaknesses by implementing the following:

a. If an audit identifies a management control problem that command has already reported as a material weakness, the audit report will not address the issue as a problem, unless the scope of the required weakness or its corrective actions are inadequate. Our intent is to encourage commanders to identify material weaknesses and initiate corrective action.

b. If command has taken timely effective action to report and correct management control problems, the audit report will reflect, this in positive terms. Our intent is not for audit reports to be silent on the subject of management controls, but rather to give command full credit for the good work they've done to detect, report and correct management control problems.

2. Our goal is to promote the reporting and resolution of management control problems and enhance the credibility of annual assurance statements. 'While many material weaknesses are submitted to solicit corrective action at higher levels, the vast majority are-- and should be --submitted simply to share useful " information up the chain of command. As key players in the Army management control process, weaknesses in this light we encourage you to view material weaknesses in this light.

  
Francis E. Reardon  
The Auditor General

  
Helen T. McCoy  
Assistant Secretary of the Army  
(Financial Management and Comptroller)

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