

GAO Highlights

Highlights of [GAO-20-332](#), a report to congressional committees

Why GAO Did This Study

OMB Circular No. A-123 requires agencies to provide an annual assurance statement that represents the agency head's informed judgment as to the overall adequacy and effectiveness of internal controls related to operations, reporting, and compliance objectives. Although the Air Force is required annually to assess and report on its control effectiveness and to correct known deficiencies, it has been unable to demonstrate basic internal control, as identified in previous audits, that would allow it to report, with reasonable assurance, the reliability of internal controls, including those designed to account for mission-critical assets.

This report, developed in connection with fulfilling GAO's mandate to audit the U.S. government's consolidated financial statements, examines the extent to which the Air Force has incorporated ERM into its management practices and designed a process for assessing internal control, including processes related to mission-critical assets.

GAO reviewed Air Force policies and procedures and interviewed Air Force officials on their process for fulfilling ERM and internal control assessments.

What GAO Recommends

GAO is making 12 recommendations to the Air Force, which include improving its risk management practices and internal control assessments. The Air Force agreed with all 12 recommendations and cited actions to address them.

View [GAO-20-332](#). For more information, contact Kristen Kocielek at (202) 512-2989 or kocielek@gao.gov.

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AIR FORCE

Enhanced Enterprise Risk Management and Internal Control Assessments Could Improve Accountability over Mission-Critical Assets

What GAO Found

The Air Force's efforts to implement Enterprise Risk Management (ERM) are in the early stages, and accordingly, it has not fully incorporated ERM into its management practices as outlined in Office of Management and Budget (OMB) Circular No. A-123. As a result, the Air Force is not fully managing its challenges and opportunities from an enterprise-wide view. Until it fully incorporates ERM—planned for some time after 2023—the Air Force will continue to leverage its current governance and reporting structures as well as its existing internal control reviews.

The Air Force has not designed a comprehensive process for assessing internal control, including processes related to mission-critical assets. GAO found that existing policies and procedures that Air Force staff follow to perform internal control assessments do not accurately capture the requirements of OMB Circular No. A-123. For example, the Air Force does not require (1) an assessment of each internal control element; (2) test plans that specify the nature, scope, and timing of procedures to conduct; and (3) validation that the results of internal control tests are sufficiently clear and complete to explain how units tested control procedures, what results they achieved, and how they derived conclusions from those results. Also, Air Force guidance and training was not adequate for conducting internal control assessments.

In addition, GAO found that the Air Force did not design its assessment of internal control to evaluate all key areas that are critical to meeting its mission objectives as part of its annual Statement of Assurance process.

Furthermore, GAO found that procedures the Air Force used to review mission-critical assets did not (1) evaluate whether the control design would serve to achieve objectives or address risks; (2) test operating effectiveness after first determining if controls were adequately designed; (3) use process cycle memorandums that accurately reflected the current business process; and (4) evaluate controls it put in place to achieve operational, internal reporting, and compliance objectives. GAO also found that the results of reviews of mission-critical assets are not formally considered in the Air Force's assessment of internal control.

Without performing internal control reviews in accordance with requirements, the Air Force increases the risk that its assessment of internal control and related Statement of Assurance may not appropriately represent the effectiveness of internal control, particularly over processes related to its mission-critical assets.