

APPENDIX F – CRITICAL TASKS AND CAPABILITIES

The OUSD(C) has developed a DoD-wide audit strategy to provide the Department with its best chance for achieving full financial statement auditability in fiscal year (FY) 2018. The strategy includes critical tasks and capabilities that each Component must perform and achieve, which are described in **Figure F-1**.

The Military Departments have self-identified completion dates for critical path tasks for both their general funds and working capital funds in coordination with their service providers. These tasks and associated milestones are **published in the biannual FIAR Plan Status Report**. For the Fourth Estate (TI-97 reporting entities or ODOs), OUSD(C) is closely monitoring each reporting entity to ensure sufficient progress for audit readiness by FY 2018. Reporting requirements for non-material TI-97 reporting entities requirements are presented in **Figure F-2**. **Note that each TI-97 reporting entity must plan to achieve its critical capabilities no later than the milestone dates presented in the FIAR Plan Status Report for all ODOs. FIAR Plan Status Reports can be found at <http://comptroller.defense.gov/fiar/plan.aspx>.**

All DoD reporting entities and service providers must adhere to the proposed strategy. The Department's approach to achieving full financial statement auditability by the FY 2017 deadline relies upon each DoD reporting entity and service provider completing the critical path tasks in a timely manner. Failure to achieve these critical capabilities will put the entire Department's strategy at risk.

The DoD-wide audit strategy further accomplishes two additional objectives:

1. Shifts audit readiness focus onto remaining financial statements for both General Funds (GF) and Working Capital Funds (WCF) and;
2. Establishes Component audit categories using a risk-based approach.

The audit readiness critical capabilities for reporting entities and service providers are discussed further in FIAR Guidance sections 4.A.6 and 4.B.3, respectively.

Audit Categories

An important element of the DoD-wide audit strategy is the grouping of the DoD reporting entities according to the expected type of engagement to be performed (DoD Components currently under audit are not listed in this section). The engagement types and designations are:

Engagement Types

- **Audit:** An "Audit" is a financial statement audit performed by Independent Public Accountants (IPAs) in accordance with U.S. generally accepted auditing standards and GAO's generally accepted government auditing standards.
- **Examination:** An "Examination" is an audit readiness examination performed by IPAs in accordance with attestation standards issued by the American Institute of Certified Public Accountants. The criteria used to assess reporting entity management's assertions will be the FIAR Guidance.
- **Mock Audit:** "Mock Audits" do not require the auditor to be independent of the reporting entity. Mock Audits are performed using audit-like procedures and programs and will help reporting entities understand what independent audits or examinations will entail.

Designations

- **OMB Designated Entity Audits (Tier 1: “Large Caps”):** The Office of Management and Budget (OMB) has designated select DoD reporting entities to prepare and issue audited financial statements annually, mandated by OMB Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. These entities account for about 72.05% of FY 2014 budgetary resources provided by the Congress.
- **DoD Designated Audits (Tier 2: “Mid Caps”):** In addition to the OMB-directed reporting entities, DoD management has directed certain material Defense Agencies and Funds to be audited on a stand-alone basis. These entities account for about 22.97% of FY 2014 budgetary resources provided by the Congress.
- **DoD Designated Examinations (Tier 3: “Small Caps”):** DoD management has directed the remaining material Defense Agencies and Funds to undergo annual examinations. These entities account for about 4.04% of FY 2014 budgetary resources provided by the Congress.
- **Defense Agencies, Organizations, and Funds Not Material (Tier 4: “Micro Caps”):** The Defense Agencies, Organizations, and Funds not included in one of the categories above are not material to the DoD-wide financial statements. These entities will continue their audit readiness efforts to improve their internal controls and will be included in the DoD’s FY 2017 consolidated financial statement audit. These entities account for about 0.94% of FY 2014 budgetary resources provided by the Congress.

The following table indicates the Components designated for audit or examination¹ for GF and WCF reporting entities not currently under audit:²

OMB Designated Entity Audits (Tier 1: “Large Caps”)
<ul style="list-style-type: none"> • Military Departments – GF and WCF (two audit opinions)
DoD Designated Audits (Tier 2: “Mid Caps”)
<ul style="list-style-type: none"> • DISA – GF and WCF (two audit opinions)
<ul style="list-style-type: none"> • USTRANSCOM, WCF
<ul style="list-style-type: none"> • DLA – GF and WCF (two audit opinions)
<ul style="list-style-type: none"> • Defense Health
<ul style="list-style-type: none"> • USSOCOM

¹ In an audit, the auditor expresses an opinion on historical financial statements. An examination is an engagement in which the auditor provides a high level of assurance regarding an assertion by a reporting entity about a subject matter.

² For both the OMB and DoD Designated Audits groups, entities currently under audit are not listed.

DoD Designated Examinations (Tier 3: “Small Caps”)
• Washington Headquarters Services ³
• Missile Defense Agency
• Other TI-97 Funds Provided to the Army by the Office of the Secretary of Defense
• Defense Security Cooperation Agency
• DoD Education Activity
• Defense Advanced Research Projects Agency
• Chemical Biological Defense Program
• Defense Threat Reduction Agency
• Defense Contract Management Agency
• Office of the Chairman of the Joint Chiefs of Staff (includes the National Defense University)

The next table lists the reporting entities designated as non-material to the DoD consolidated financial statements. These entities, however, may have accounts that are material to a specific financial statement line item (for example, the Military Housing Privatization Initiative). Accordingly, the non-material entities must continue with their audit readiness efforts and complete the assertion tasks shown in **Figure F-2**.

Non-Material Reporting Entities (Tier 4: “Micro Caps”)
• Burden Sharing Account by Foreign Allies, Defense
• Other TI-97 Funds Provided to the Air Force by the Office of the Secretary of Defense
• Defense Acquisition University
• Defense Technical Information Center
• Defense Human Resources Activity
• Support for U.S. Relocation to Guam Activities, Defense
• Other TI-97 Funds Provided to the Navy by the Office of the Secretary of Defense

³ Washington Headquarters Services (WHS) includes: Office of the Secretary of Defense; WHS; Pentagon Reservation Maintenance Revolving Fund; DoD Test Resource Management Center; **Defense Legal Services Agency**; Building Maintenance Fund; Civilian Military Program; Pentagon Force Protection Agency; and the U.S. Court of Appeals – Armed Forces

Non-Material Reporting Entities (Tier 4: “Micro Caps”)
• Office of Economic Adjustment
• Defense Security Service
• Military Housing Privatization Initiative
• DoD Education Benefits Fund
• Department of Defense Office of Inspector General
• Homeowners Assistance Fund, Defense
• Emergency Response Fund, Defense
• Component Level Adjustments, WCF (only FY15 and Prior Year Activity)
• Host Nation Support for U.S. Relocation Activities, Defense
• Voluntary Separation Incentive Trust Fund
• Defense Technology Security Administration
• Business Transformation Agency (BFY 12/13 Money)
• Defense Gift Fund
• National Security Education Trust Fund
• Defense Finance and Accounting Service, General Fund
• Defense POW/MIA Accounting Agency (formerly the Defense Prisoner of War/Missing Personnel Office)
• Director, Operational Test and Evaluation
• Defense Media Activity
• Defense Cooperation Account

As noted above, an essential part of the DoD-wide audit strategy involves completion of specific assertion tasks by all DoD reporting entities in accordance with the milestone dates reported in the FPSR. The figures on the following pages specify the tasks for each group. Reporting entities must strive to accomplish these tasks so the Department can achieve its audit readiness objective.

Figure F-1: Waves 2/3/4 Assertion Tasks – Tier 1/Tier 2/Tier 3 Reporting Entities			
Assertion Task Category	Assertion Task Number	Assertion Task (Note 1)	Assertion Task Description
Pre-Assertion Milestones and Deliverables, including Assertion Strategy	1.A	<p>Present Assertion Strategy and Schedule to the FIAR Directorate for Addressing (<i>FIAR Meth. 1.2.5</i>):</p> <p>(1) SBR Balances Brought Forward;</p> <p>(2) All Open Appropriations on SBR;</p> <p>(3) Any Remaining Budgetary Resources on SBR;</p> <p>(4) Critical Financial Statement Line Items (Fund Balance with Treasury; Inventory and Related Property (<i>Note 2</i>); General Property, Plant, and Equipment (G-PP&E) (<i>Note 3</i>); and Environmental and Disposal Liabilities); to include producing a complete universe of transactions;</p> <p>(5) Remaining (“Non-Critical”) Material Financial Statement Line Items on the Full Financial Statements (e.g., Accounts Receivable, Other Assets, Accounts Payable, Other Liabilities, Gross Costs, Earned Revenue).</p> <p><i>The assertion strategy should present the planned approach for addressing the items in Tasks 1.A.1 – 1.A.14.</i></p>	<p>The assertion strategy should document the Reporting Entity's planned approach for addressing audit readiness dealbreakers critical to an assertion on full financial statements.</p> <p>The assertion strategy format should generally be a detailed written narrative document that identifies the critical path/milestones that need to be met to achieve the assertion tasks and specifies roles and responsibilities for achieving the assertion tasks. The assertion strategy should be presented to the FIAR Directorate in two parts:</p> <p>(1) The first part of the assertion strategy will focus on critical financial statement line items (Fund Balance with Treasury; Inventory and Related Property; General Property, Plant, and Equipment; Environmental and Disposal Liabilities). When presenting the strategy for these items, the Reporting Entity must specify dates for periodic follow up with the FIAR Directorate to review progress.</p> <p>(2) The second part of the assertion strategy will include all remaining (“non-critical”) material financial statement line items (e.g., Accounts Receivable, Other Assets, Accounts Payable, Other Liabilities, Gross Costs, Earned Revenue).</p> <p>By documenting the assertion strategy and providing it to the FIAR Directorate for review early in the process, the FIAR Directorate will be able to provide feedback on the proposed approach for achieving the assertion. For critical issues (e.g., aging of balances brought forward, methodology for historical property valuation), FIAR will consolidate strategies and facilitate discussions with the DoD Office of Inspector General and Government Accountability Office for feedback/concurrence.</p> <p><i>The assertion strategy for critical and non-critical financial statement line items, detailed in Tasks 1.A.1 – 1.A.14 below, is implemented in Task 1.C.</i></p>

Figure F-1 Waves 2/3/4 Assertion Tasks – Tier 1/Tier 2/Tier 3 Reporting Entities

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Pre-Assertion Milestones and Deliverables, including Assertion Strategy	1.A.1	<ul style="list-style-type: none"> • CRITICAL PATH TASK (Fund Balance with Treasury): Perform Aging Analysis on Total Budgetary Resources and Provide to the FIAR Directorate, Along with Plan for Reconciling Fund Balance with Treasury (FIAR Meth. 1.4.4) 	<p>Determine how many past years of supporting documentation are needed to support balances brought forward on the SBR by aging current total budgetary resources by budget fiscal year, going back as far as necessary to get 99% coverage of the total balance. See the DoD FMR, Volume 4, Chapter 2, Annex 1 for requirements and further information on the aging analysis.</p> <p><i>Also see Section 5.C.1 of the FIAR Guidance for further information related to balances brought forward, and Section 5.D.1.1 of the FIAR Guidance for further information related to Fund Balance with Treasury.</i></p>
	1.A.2	<ul style="list-style-type: none"> • CRITICAL PATH TASK (Fund Balance with Treasury): Plan for performing complete reconciliation (including all controls in place to support, age, and resolve differences) for outlays/Fund Balance with Treasury/ unobligated balances between general ledger (G/L), disbursing systems, and Treasury for all material active/expired appropriations 	<p>Describe plan for implementing reconciliation from accounting system (G/L) to source feeder system for disbursements and to Treasury records for Fund Balance with Treasury, ensuring that--for all open appropriations and all available budgetary resources-- disbursements recorded in the accounting system exist, that all disbursements are recorded accurately in the accounting system, and that Fund Balance with Treasury amounts recorded in the accounting system reconcile to Treasury records.</p> <p>This plan should include reconciling:</p> <ul style="list-style-type: none"> • differences between the G/L accounts (proprietary and budgetary) and Treasury’s Government Wide Accounting (GWA) account statement; • transactions posted to budget clearing accounts (“suspense” accounts); and • transactions reported on Treasury’s Statement of Differences (e.g., deposits, EFT, and checks issued).
	1.A.3	<ul style="list-style-type: none"> • Plan for supporting open obligations SBR balance brought forward with appropriate supporting documentation as of the audit start date. 	<p>Describe plan for supporting open obligations SBR balance brought forward with appropriate supporting documentation as of the audit start date. Supporting documentation for open obligations should be substantiated through recurring triannual reviews of open obligations.</p>

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	1.A.4	<ul style="list-style-type: none"> • CRITICAL PATH TASK (Universe of Accounting Transactions): Plan for producing a universe of transactions from accountable property systems of record (APSRs) reconciled from universe to the accounting system to the financial statements 	<p>Describe process for producing a universe of APSR details. The universe must reconcile to the accounting system. Implement processes and controls to identify differences, track and age those differences, and resolve the differences.</p> <p><i>See Section 2.C.3 of the FIAR Guidance for further information on this assertion task.</i></p>
Pre-Assertion Milestones and Deliverables, including Assertion Strategy	1.A.5	<ul style="list-style-type: none"> • CRITICAL PATH TASK (Historical Property Existence, Completeness, and Valuation): Plan for identifying all historical property (existence and completeness) and establishing historical property values (including Inventory and Related Property (Note 2) and G-PP&E (Note 3)) 	<p>Document strategy/methodology for identifying all historical property (existence and completeness) and validating/supporting original acquisition cost, depreciation method and accumulated depreciation, placed-in-service date, and useful life of historical assets.</p>
	1.A.6	<ul style="list-style-type: none"> • CRITICAL PATH TASK (Sustaining Property Existence, Completeness, and Valuation): Plan for sustaining processes to identify all property (existence and completeness) and processes to value property (including Inventory and Related Property (Note 2) and G-PP&E (Note 3)) 	<p>Document strategy/methodology for supporting and sustaining business processes to identify all property (existence and completeness) and business processes to support asset valuation, including determination of acquisition cost, appropriate depreciation method, placed-in-service date, and useful life of assets, on a go-forward basis.</p>
	1.A.7	<ul style="list-style-type: none"> • CRITICAL PATH TASK (Environmental Liabilities): Plan for identifying and valuing environmental liabilities 	<p>Document strategy/methodology for ensuring all environmental liabilities pertaining to the Reporting Entity are properly valued and included on the Reporting Entity’s financial statements.</p>

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	1.A.8	<ul style="list-style-type: none"> • CRITICAL PATH TASK (Universe of Accounting Transactions): Plan for producing a universe of accounting transactions and details for all line items, including line items with balances brought forward and sensitive activities, reconciled from the universe to the general ledger (G/L) trial balances produced by the accounting systems to all financial statement lines 	<p>Describe planned process for producing a universe of accounting transaction details and details for line items with balances brought forward, including sensitive activities. The universe details must reconcile to the G/L trial balances produced by the accounting systems and to all lines on the SBR, Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position. Discuss plan for implementing processes and controls to identify differences, track and age those differences, and resolve the differences.</p> <p>For transaction-based lines, plan to produce a listing of accounting transactions for a period of time (e.g., a complete fiscal year). For line items with balances brought forward, plan to produce a listing of open balances that comprise the balances brought forward as of a point in time (e.g., end of the fiscal year).</p> <p><i>See Sections 2.C.2 & 2.C.4 of the FIAR Guidance for further information on this assertion task.</i></p>
Pre-Assertion Milestones and Deliverables, including Assertion Strategy	1.A.9	<ul style="list-style-type: none"> • CRITICAL PATH TASK (Feeder System Reconciliations): Plan for performing complete reconciliations (including all controls in place to support, age, and resolve differences) for: 	Describe plan for implementing processes and controls to support complete reconciliations from accounting system (G/L) to feeder systems and financial statements. A complete reconciliation should include processes to identify differences, track and age those differences, and resolve the differences. Responsibility for performing individual reconciliations should be determined through coordination between the Reporting Entity and any Service Providers.
	1.A.9.a	<ul style="list-style-type: none"> ○ CRITICAL PATH TASK (Feeder System Reconciliations): Funding between accounting system and funds distribution systems 	Describe plan for implementing reconciliation from accounting system (G/L) to source feeder system for funds distribution, ensuring that--for all open appropriations and all available budgetary resources--appropriations recorded in the accounting system exist and that all appropriations received are recorded accurately in the accounting system.
	1.A.9.b	<ul style="list-style-type: none"> ○ CRITICAL PATH TASK (Feeder System Reconciliations): Obligations between accounting system and obligating systems (e.g., contract writing) 	Describe plan for implementing reconciliation from accounting system (G/L) to source feeder system for obligations, ensuring that--for all open appropriations and all available budgetary resources--obligations recorded in the accounting system exist and that all obligations are recorded accurately in the accounting system.

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Pre-Assertion Milestones and Deliverables, including Assertion Strategy	1.A.9.c	<ul style="list-style-type: none"> o CRITICAL PATH TASK (Feeder System Reconciliations): Accounting system to feeder systems 	Describe plan for implementing reconciliations from accounting system (G/L) to all relevant feeder systems.
	1.A.9.d	<ul style="list-style-type: none"> o CRITICAL PATH TASK (Feeder System Reconciliations): Accounting system to full financial statements 	Plan for implementing reconciliation from accounting system (G/L) to financial statements produced from the Defense Department Reporting System – Audited Financial Statements (DDRS-AFS).
	1.A.10	<ul style="list-style-type: none"> • CRITICAL PATH TASK (Journal Vouchers): <ul style="list-style-type: none"> o Plan for analyzing Journal Vouchers, performing root cause analysis of Journal Vouchers, and implementing corrective actions to address root causes o Plan for implementing processes and controls to review, approve, and support remaining Journal Vouchers 	Describe plan for: <ul style="list-style-type: none"> • performing root cause analysis of Journal Vouchers; • identifying categories of causes for material Journal Vouchers (e.g., Fund Balance with Treasury, elimination entries, tie-points); • assigning responsibilities and timelines for addressing root causes of Journal Vouchers; • implementing corrective actions to address root causes; and • implementing processes and controls to ensure Journal Vouchers are reviewed, approved, and supported.

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Assertion Task Category	Assertion Task Number	Assertion Task (Note 1)	Assertion Task Description
Pre-Assertion Milestones and Deliverables, including Assertion Strategy	1.A.11	<ul style="list-style-type: none"> Plan for aligning applicable financial reporting objectives (FROs) to assertion strategy and how those FROs will be addressed 	<p>Identify FROs relevant to an assertion including:</p> <ul style="list-style-type: none"> (1) SBR balances brought forward, including open obligations (which should be substantiated through recurring triannual reviews of open obligations); (2) all open appropriations on the SBR; (3) any remaining budgetary resources on the SBR (e.g., unobligated balances from prior periods remain available for obligation and pertain to the reporting entity); (4) existence and completeness for Inventory and Related Property and G-PP&E; and (5) all remaining assertions for all financial statement lines (e.g., G-PP&E balances and all the transactions they accumulate are recorded at correct amounts, and are properly classified and described in the financial statements). <p>Map relevant FROs to the tasks in the assertion strategy, describing how each of those FROs will be addressed. All relevant FROs must be achieved through a combination of control activities and/or key supporting documents (KSDs).</p>
	1.A.12	<ul style="list-style-type: none"> Plan for aligning Service Provider roles and systems with the Reporting Entity's assertion in a coordinated plan to document, test, and remediate controls 	<p>Identify all Service Providers performing a role in assertion processes/systems/controls, identify processes/systems/controls in assertion affected by each Service Provider, and determine level/types of support in audit readiness efforts. Ensure there is a strategy to document, test, and remediate processes/systems/controls either by the Service Provider or by the Reporting Entity.</p>
	1.A.13	<ul style="list-style-type: none"> Plan for integration of tie-points between budgetary and proprietary accounts 	<p>Identify key budgetary to proprietary tie-points and plan for validation.</p>
	1.A.14	<ul style="list-style-type: none"> CRITICAL PATH TASK (IT Controls): Plan for addressing effectiveness of information technology (FISCAM) controls over all relevant systems meeting FISCAM criteria (including APSRs and systems relevant to working capital funds (working capital fund accounting systems, working capital fund feeder systems, etc.)) (FIAR Meth. 1.2.5) 	<p>Describe plan for assessing effectiveness of information technology (FISCAM) controls (e.g., APSRs, working capital fund-specific accounting systems, working capital fund-specific feeder systems).</p>

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Pre-Assertion Milestones and Deliverables, including Assertion Strategy	1.A.15	<ul style="list-style-type: none"> Plan for developing a sufficient audit infrastructure to respond to auditors' requests (requirements for human capital, tools, etc.), including being able to provide key supporting documents (KSDs), including Journal Vouchers, supporting: <ol style="list-style-type: none"> SBR balances brought forward; all open appropriations on SBR; any remaining budgetary resources on SBR; existence, completeness, and rights assertions; and all remaining financial statement line items. 	<p>Describe plan to put resources in place to build and maintain audit infrastructure. Identify organizations responsible for supporting responses to auditors' requests, and document roles and responsibilities among those organizations.</p> <p>Describe plan for testing ability to provide all major types of KSDs, including Journal Vouchers, in response to auditor requests. Plan should document strategy for developing and implementing an automated/IT solution for a KSD repository (in order to maintain KSDs that do not currently have a central storage and retrieval location, which will help the Reporting Entity respond to auditor requests for KSDs in a timely manner).</p> <p><i>The line item tables in Section 5 of the FIAR Guidance identify KSD requirements for material financial statement line items.</i></p>
	1.B	<ul style="list-style-type: none"> Present Test Results to the FIAR Directorate from Initial Controls/KSD Testing for: <ul style="list-style-type: none"> Remaining Assertions for SBR Balances Brought Forward, All Open Appropriations on SBR, and Any Remaining Budgetary Resources on SBR (FIAR Meth. 1.3.5 & 1.4.6) Remaining Assertions for All Non-Critical, Material Financial Statement Line Items (Full Financial Statements—including material line items such as Accounts Receivable, Other Assets, Accounts Payable, Other Liabilities, Gross Costs, Earned Revenue) (FIAR Meth. 1.3.5 & 1.4.6) Present All Corrective Action Plans to the FIAR Directorate (FIAR Meth. 2.2) 	<p>Perform tests of controls for all controls in the “as-is” environment that will be relied on for assertion in Task 1.C. These tests only relate to the non-critical items and do not include processes, procedures, and controls related to the critical line items identified in Tasks 1.A.1 – 1.A.16. Also, perform tests of existence of KSDs.</p> <p>Summarize results for both tests of controls and tests of existence of KSDs and present test results to the FIAR Directorate. For tests of controls, determine whether testing exceptions are the result of design deficiencies or operating deficiencies.</p> <p>Present all detailed corrective action plans (reflecting the “to-be” environment) that will remediate identified internal controls and KSD deficiencies to the FIAR Directorate. Corrective action plans must include timelines for implementing the “to-be” solution and describe how the “to-be” solution will be implemented, such as by updating policies and procedures, preparing systems design documents, or drafting documentation templates.</p>

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Assertion Task Category	Assertion Task Number	Assertion Task (Note 1)	Assertion Task Description
Corrective Actions Completed and Reporting Entity Assertion	1.C	<p>Implement Procedures, Processes, and Controls (from Tasks 1.A.1 – 1.A.16) Related to Critical Financial Statement Line Items (<i>FIAR Meth. 2.1.1 & 2.1.2</i>)</p> <p>Implement Corrective Action Plans (from Task 1.B) Related to Non-Critical, Material Financial Statement Line Items (All Remaining Items from Task 1.A (Tasks 1.A.11 – 1.A.16))</p> <p>Verify Corrective Actions Plans Have Been Implemented and Confirm Audit Readiness Dealbreakers Have Been Addressed (<i>FIAR Meth. 2.4</i>)</p> <p>Assert on Audit Readiness of Full Financial Statements to the FIAR Directorate</p>	<p>After incorporating feedback received from the FIAR Directorate on the proposed assertion strategy for critical financial statement line items (Tasks 1.A.1 – 1.A.16 above), implement all procedures, processes, and controls that will be relied on for assertion.</p> <p>Implement corrective action plans (from Task 1.B) to remediate identified internal controls and KSD deficiencies for material financial statement line items.</p> <p>Once all corrective actions have been completely implemented and are verified to be operating as designed for both critical and non-critical items, individual Reporting Entities assert on the audit readiness of their full financial statements (including SBR balances brought forward, all open appropriations on SBR, any remaining budgetary resources on SBR not previously asserted, existence and completeness for Inventory and Related Property and G-PP&E, and any remaining assertions for all financial statement line items).</p>
Validation	1.D	<p>FIAR Validation/IPA Validation (Audit Readiness Examination) of Full Financial Statements</p>	<p>Either the FIAR Directorate validates the Reporting Entities' assertions, or IPAs perform an audit readiness examination of the full financial statements (focused on critical financial statement line items and other line items material to the Reporting Entities) to validate the Reporting Entities' assertions.</p> <p>For Reporting Entities progressing straight to financial statement audit, the FIAR Directorate will perform validation of the Reporting Entities' assertions*, and the Reporting Entities will perform final process and infrastructure verification in the three months before their stand-alone financial statement audits begin.</p>

Figure F-1 Waves 2/3/4 Assertion Tasks – Tier 1/Tier 2/Tier 3 Reporting Entities

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Assertion Task Category	Assertion Task Number	Assertion Task (Note 1)	Assertion Task Description
Corrective Actions	1.E	Reporting Entity Implements Corrective Actions (as a result of FIAR/IPA Validation completed in Task 1.D), Conducts Regular Briefings to FIAR Directorate on Plan and Progress for Addressing Corrective Actions, and Resubmits Assertion to FIAR Directorate once Corrective Actions are Complete	Reporting Entities implement any necessary corrective action plans and submit verification of corrective action plan implementation to the FIAR Directorate. Verification of corrective action plan implementation should be presented and briefed to the FIAR Directorate incrementally (including the plan for addressing corrective actions, as developed, and regular updates on the status of implementation).
Audit Start	1.F	Perform "Dry Runs" in Preparation for Start of Audit	Reporting Entities perform "dry runs" to verify processes and audit infrastructure are in place and operating effectively in advance of start of audit. The intent of the "dry run" is to help reduce the risk of the Reporting Entity not being prepared for the financial statement audit (or audit readiness examination for Reporting Entities included in the DoD Designated Examinations category).
Audit Start	1.G	Full, Stand-Alone Financial Statement Audit	Reporting Entities undergo an initial financial statement audit of their full, stand-alone financial statements.
		Full, Stand-Alone Financial Statement Audit Readiness Examination	Reporting Entities included in the DoD Designated Examinations category will continue undergoing annual audit readiness examinations while also being audited as a part of the DoD agency-wide financial statement audit.
<p><i>Note 1 – Where applicable, the Assertion Task references steps in the FIAR Methodology. Section 4 of the FIAR Guidance, which presents the detailed FIAR Methodology, provides detailed descriptions of each of the FIAR Methodology steps and identifies specific assertion work products related to each of the steps.</i></p> <p><i>Note 2 – Inventory and Related Property includes Inventory, Operating Materiel and Supplies, and Stockpile Materiel</i></p> <p><i>Note 3 – G-PP&E includes Land; Buildings, Structures, and Facilities; Capital/Leasehold Improvements; Internal-Use Software; General Equipment; Military Equipment; Assets Under Capital Lease; and Construction in Progress</i></p>			

Figure F-1 Waves 2/3/4 Assertion Tasks – Tier 1/Tier 2/Tier 3 Reporting Entities

Figure F-2: Waves 2/3/4 Assertion Tasks – Tier 4 Reporting Entities			
Assertion Task Category	Assertion Task Number	Assertion Task	Assertion Task Description
Pre-Assertion Milestones and Deliverables to Address Audit Readiness Dealbreakers	2.A	Satisfy Audit Readiness Dealbreakers, including:	Based on lessons learned from past audit readiness efforts, there are certain dealbreakers that prevent Reporting Entities from demonstrating audit readiness or succeeding in audits. The dealbreakers below (Tasks 3.A.1 - 3.A.8) are the significant areas that should be addressed by non-material reporting entities and DFAS jointly so that they can fully support the DoD consolidated audit.
	2.A.1	<ul style="list-style-type: none"> Ability to perform complete reconciliation (including all controls in place to support, age, and resolve differences) for outlays/Fund Balance with Treasury/unobligated balances between general ledger (G/L), disbursing systems, and Treasury for all material active/expired appropriations. 	<p>Plan for implementing processes and controls to support complete reconciliations from accounting system (G/L) to feeder systems and financial statements. A complete reconciliation should include processes to identify differences, track and age those differences, and resolve the differences.</p> <p>Describe plan for implementing reconciliation from accounting system (G/L) to source feeder system for disbursements and to Treasury records for Fund Balance with Treasury, ensuring that--for all open appropriations--disbursements recorded in the accounting system exist, that all disbursements are recorded accurately in the accounting system, and that Fund Balance with Treasury amounts recorded in the accounting system reconcile to Treasury records.</p> <p>This plan should include reconciling:</p> <ul style="list-style-type: none"> differences between the G/L accounts (proprietary and budgetary) and Treasury's Government Wide Accounting (GWA) account statement, transactions posted to budget clearing accounts ("suspense" accounts), and transactions reported on Treasury's Statement of Differences (e.g., deposits, EFT, and checks issued). <p>Responsibility for performing individual reconciliations should be determined through coordination between the Reporting Entity and any Service Providers.</p>
	2.A.2	<ul style="list-style-type: none"> Ability to produce universe of accounting transactions and details for line items with balances brought forward, including sensitive activities, reconciled from the universe to the general ledger (G/L) trial balances produced by the accounting systems to all financial statement lines 	<p>Describe process for producing a universe of accounting transaction details and details for line items with balances brought forward, including sensitive activities. The universe details must reconcile to the G/L trial balances produced by the accounting systems and to all lines on the SBR financial statement. Implement processes and controls to identify differences, track and age those differences, and resolve the differences.</p> <p>For transaction-based lines, produce a listing of accounting transactions for a period of time (e.g., a complete fiscal year). For line items with balances brought forward, produce a listing of open balances that comprise the balances brought forward as of a point in time (e.g., end of the fiscal year).</p>

Figure F-2 Waves 2/3/4 Assertion Tasks – Tier 4 Reporting Entities

Figure F-2: Waves 2/3/4 Assertion Tasks – Tier 4 Reporting Entities			
Assertion Task Category	Assertion Task Number	Assertion Task	Assertion Task Description
Pre-Assertion Milestones and Deliverables to Address Audit Readiness Dealbreakers	2.A.3	<ul style="list-style-type: none"> Documentation of process flows, including all relevant control points, and testing of key control activities and key supporting documents (KSDs) 	Fully document all financially relevant process flows, including documenting key control activities. Perform and document tests of internal controls and relevant KSDs.
	2.A.4	<ul style="list-style-type: none"> Ability to produce universe of transactions from accountable property systems of record (APSRs) reconciled from universe to the accounting system to the financial statements 	Describe process for producing a universe of APSR details. The universe must reconcile to the accounting system. Implement processes and controls to identify differences, track and age those differences, and resolve the differences.
	2.A.5	<ul style="list-style-type: none"> Ability to perform complete reconciliations (including all controls in place to support, age, and resolve differences) between accounting systems and funding systems, obligating systems, feeder systems, full financial statements 	Describe plan for implementing reconciliations from accounting systems to all financially relevant feeder systems, including funding systems, obligating systems, and other feeder systems, as well as plan for implementing reconciliations from accounting systems to full financial statements. A complete reconciliation should include processes to identify differences, track and age those differences, and resolve the differences. Responsibility for performing individual reconciliations should be determined through coordination between the Reporting Entity and any Service Providers.
	2.A.6	<ul style="list-style-type: none"> Plan for providing KSDs, including Journal Vouchers, supporting existence, completeness, and rights assertions, and all remaining financial statement line items 	Describe plan for having ability to provide all major types of KSDs, including Journal Vouchers, in response to auditor requests. Plan should document strategy for developing and implementing an automated/IT solution for a KSD repository (in order to maintain KSDs that do not currently have a central storage and retrieval location, which will help the Reporting Entity respond to auditor requests for KSDs in a timely manner).

Figure F-2 Waves 2/3/4 Assertion Tasks – Tier 4 Reporting Entities

Figure F-2: Waves 2/3/4 Assertion Tasks – Tier 4 Reporting Entities			
Assertion Task Category	Assertion Task Number	Assertion Task	Assertion Task Description
	2.A.7	<ul style="list-style-type: none"> Plan for analyzing Journal Vouchers, performing root cause analysis of Journal Vouchers, and implementing corrective actions to address root causes Plan for implementing processes and controls to review, approve, and support remaining Journal Vouchers 	Describe plan for: <ul style="list-style-type: none"> performing root cause analysis of Journal Vouchers; identifying categories of causes for material Journal Vouchers (e.g., Fund Balance with Treasury, elimination entries, tie-points); assigning responsibilities and timelines for addressing root causes of Journal Vouchers; implementing corrective actions to address root causes; and implementing processes and controls to ensure Journal Vouchers are reviewed, approved, and supported.
Pre-Assertion Milestones and Deliverables to Address Audit Readiness Dealbreakers	2.A.8	<ul style="list-style-type: none"> Any other items material to the DoD agency-wide financial statement audit 	Satisfy any other audit readiness dealbreakers identified in the assertion strategy.
	2.B	Provide FIAR Directorate Monthly Status of Audit Readiness Dealbreakers	<ul style="list-style-type: none"> Reporting Entities provide the FIAR Directorate monthly status updates towards addressing the audit readiness dealbreakers. The format of the monthly status updates should be sufficient to provide the FIAR Directorate with an understanding of the Reporting Entity's current audit readiness status and an awareness of any impediments/risks encountered by the Reporting Entity that could impact the audit readiness timeline. The FIAR Directorate may perform periodic testing/validation of the Reporting Entities' progress.
	2.C	Perform "Dry Runs" in Preparation for Start of Audit	Reporting Entities perform "dry runs" to verify processes and audit infrastructure is in place and operating effectively in advance of start of audit. The intent of the "dry run" is to help reduce the risk of the Reporting Entity not being prepared for the financial statement audit.
Communication with FIAR Directorate	2.D	Audit Start	Reporting Entities begin undergoing recurring financial statement audits as part of the DoD agency-wide financial statement audit.
Audit Start			

Figure F-2 Waves 2/3/4 Assertion Tasks – Tier 4 Reporting Entities