



Defense Financial Improvement and Audit Readiness Plan

SUPPORTING THE WARFIGHTER THROUGH TRUST AND CONFIDENCE IN FINANCIAL DATA

PRODUCED BY: OFFICE OF UNDER SECRETARY OF DEFENSE COMPTROLLER IN COLLABORATION WITH
THE FINANCIAL IMPROVEMENT AND AUDIT READINESS COMMITTEE



December 2005

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DEPUTY SECRETARY OF DEFENSE
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NOV 8 2005

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF
DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF
DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
COMMANDER, U.S. SPECIAL OPERATIONS
COMMAND
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Moving Forward with Improving Financial Management

Achieving excellence in financial management is essential to maximizing the value of every dollar to our warfighters. Recently, the Office of Management and Budget raised our fiscal year 2005 fourth quarter progress score from red to yellow on the Improved Financial Performance portion of the President's Management Agenda because we had started developing the Financial Improvement and Audit Readiness plan.

The Financial Improvement and Audit Readiness Plan, spearheaded by the Under Secretary of Defense (Comptroller), is the Department of Defense (DoD) roadmap to fix internal controls, correct processes, and obtain an unqualified audit opinion. The plan integrates solutions such as upgraded systems with improvements to processes.

Our ability to achieve business efficiencies, better manage assets and liabilities, control costs, secure Congressional support for funding, and make decisions with increased confidence is dependent on successful execution of this plan. Support from every DoD community, both functional and financial, is essential. I expect you to make the development and implementation of this plan a priority so we can realize these benefits as soon as possible.

Thanks!
Andrew England
ACTING

OSD 22006-05



EXECUTIVE SUMMARY

Effective financial management depends on information that is accurate, reliable, and timely. The Financial Improvement and Audit Readiness (FIAR) Plan charts a course to sound financial management by improving internal controls, resolving material weaknesses, and advancing the Department's fiscal stewardship. The FIAR Plan details an integrated path for DoD financial improvement for the Military Services, or Components, and to confirm these improvements with favorable financial audits.

The challenges facing the Department of Defense fall into three broad categories: those that heavily depend on systems solutions; those that depend primarily on process solutions; and those that depend on both systems and process solutions.

For systems solutions, the FIAR Plan relies on the DoD Enterprise Transition Plan and Component Transition Plans which were developed to modernize existing systems and develop new systems. While systems solutions are being implemented, much can be done to resolve problems that primarily depend on process improvements.

For process solutions, the FIAR Plan capitalizes on work done by the Military Services, or Components, to address major deficiencies in the Department's ability to capture and report financial information.

Taken together the FIAR Plan identifies progress to date, and lays out quarterly milestones and tasks for achieving improved financial information on 71 percent of DoD's assets and 80 percent of DoD's liabilities.

This December 2005 submission of the FIAR Plan addresses all operations reported on the Department's balance sheet and merges both process and system solutions into manageable milestones and tasks. Execution of the FIAR Plan has already begun. As we go forward, we will continue to identify actions to improve the reliability of additional processes and systems.

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Chapter 1: Better Data for Better Decisions



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BETTER DATA FOR BETTER DECISIONS

WHY DoD NEEDS A FINANCIAL IMPROVEMENT PLAN

The Department of Defense (DoD) is the largest agency in the federal government. Department leaders know that sound financial management is essential to a wise use of DoD resources. Excluding non-discretionary programs, such as Social Security, the Department of Defense comprises roughly half of the remaining federal budget. The Department owns 86 percent of the government's assets. It employs 1.4 million active duty men and women, 740,000 civilians, 820,000 guard and reserves, and pays benefits to 2 million retirees and families. In addition, the Department operates in more than 146 countries using more than 600,000 buildings and structures.

DoD Compared to Industry

- DoD budget is \$200B larger than Wal-Mart's revenue, the largest Fortune 500 Company.
- DoD assets and liabilities are more than the combined assets and liabilities of Wal-Mart, Exxon, Ford and IBM.

Managing an organization with resources of this magnitude demands sound and reliable financial management practices. At the same time, the financial management challenges facing the Department are substantive. The Government Accountability Office has considered the Department's financial management to be at high risk for many years. Department leaders recognized the need for a financial improvement plan.

Because DoD is made up of many individual departments and agencies, the Department needs a single, comprehensive, and integrated plan to organize and efficiently manage financial management improvement. Success will be achieved in a step-by-step process that proceeds until the objectives are met.

Improving Financial Management Decisions

Good financial management relies on decisions that make the best use of every dollar spent. Good financial decisions depend on timely, reliable, and accurate financial information.

Timely Information

Having information in time to make a decision is essential to raising the quality of management's decisions. The Department has steadily reduced the amount of time it takes to produce standard financial reports. For example, in 2002 financial statements were prepared in 123 days. In 2004, statements were produced in 45 days.

Reliable Information

The ability to verify information independently is one indicator of reliability. Auditors complete independent verifications by comparing what was reported to existing documentation. Auditors then determine if reported amounts fairly represent the actual

events. Today, 16 percent of the Department's assets and 48 percent of its liabilities have been independently verified and given a stamp of approval, technically called an unqualified audit opinion. An additional 29 percent of liabilities have received a qualified audit opinion, which means that the auditors verified the numbers with some exceptions. Addressing the remaining 84 percent of assets and 52 percent of liabilities is a task that lies ahead for the Department.

Accurate Information

Accuracy means quantities are complete and dollar amounts correct. For example, accurate information is needed on the number of assets owned and the cost of acquiring and maintaining those assets. Assets can include property such as buildings and airplanes. Accuracy is also critical to paying DoD personnel and military retirees, contractors, and other federal agencies. A lack of accurate information can delay payments and cost the government interest, or can cause hardships for our men and women overseas. Conversely, accurate inventory quantities and costs are critical to providing spare parts, fuel, and other supplies to warfighters.

THE FIAR PLAN: WHAT IT IS AND WHAT IT DOES

A Roadmap of Solutions

The Financial Improvement and Audit Readiness (FIAR) Plan sets milestones for resolving problems affecting the accuracy, reliability, and timeliness of financial information. The Plan describes major impediments identified by auditors and management. Impediments often result from weak or nonexistent internal controls, incomplete and inaccurate information, or systems that cannot properly process data and information. The Plan projects actions and target dates for resolving the problems. All projections are based on currently known information and will change over time. Corrective actions usually fall into the following categories: policy modifications; process changes; improved internal controls; data cleansing; and systems changes. Once corrective actions are completed, audit dates are projected. Audits give management confidence that financial information is reliable. Summaries of deficiencies and corrective actions for the Balance Sheet, the Statement of Net Cost, Statement of Budgetary Resources, Statement of Financing, and Statement of Custodial Activity are presented in Chapter 2. (*See Appendices A through N for Key Milestone Plans.*)

Quality Information and Greater Efficiency

Benefits are realized by continually providing quality information to decisions makers. Quality information (information that is timely, reliable, and accurate) benefits all aspects of operations and improves efficiency. Some of the solutions identified in the FIAR Plan replace manual, high-cost procedures for collecting and correcting information with automated processes. Automation speeds processing information and protects the information with controls that prevent data corruption.

Several examples illustrate how quality information can be turned into valuable business decisions. In assets, by knowing the quantity and cost of property, such as land and

buildings, management can project costs that will likely be incurred as buildings age. Similarly, when costs for cleaning up environmental hazards are accurately estimated, reported, and independently audited, the Department understands the total liability and can project with greater confidence the associated funding needed each year.

Success is measured in several ways. Improvements to the policies, processes, internal controls, and systems are all measures of progress. Improvements are also measured by reductions in the number of errors; decreased man-hours spent reworking; lower transaction costs resulting from automation; and by successfully passing the scrutiny of an independent audit. Success is evaluated, for example, through better procurement decisions, improved procedures for collecting money owed to the Department, and timely use of appropriated funds. In the early stages of the FIAR Plan, progress is measured by how well each Component implements their portion of the plan. As the planning process matures, the Department will evaluate how best to measure additional operational results derived from implementing the plan.

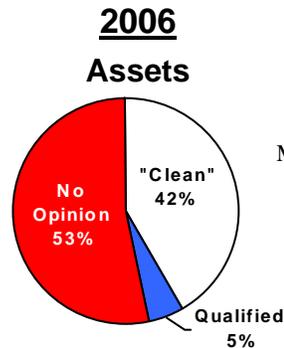
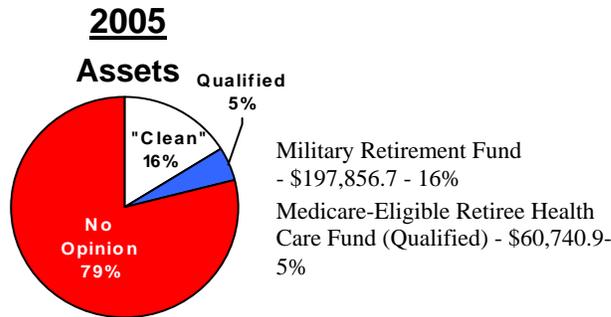
Already, progress has been achieved. The Department received favorable financial statement audit opinions for six of its Components (five unqualified and one qualified) and favorable audit results on three DoD-wide financial statement line items. Unqualified and qualified opinions, or other positive assurance provided through an independent audit, are considered favorable audit results. The Department's most significant success is the Military Retirement Fund, which represents 48 percent of the Department's total liabilities. Four Defense Agencies have obtained unqualified audits for two or more years. Their success is attributed to making sustainable improvements to processes, establishing effective internal controls, and increasing training for personnel. Agencies and line items are listed below:

DoD Reporting Agency	Audit Opinion
Defense Commissary Agency	Unqualified
Defense Contract Audit Agency	Unqualified
Defense Finance and Accounting Service	Unqualified
Defense Threat Reduction Agency	Unqualified
Military Retirement Fund	Unqualified
Medicare-Eligible Retiree Health Care Fund	Qualified
DoD-Wide Financial Statement Line Items	Audit Results
Appropriations Received	Favorable
Federal Employee Compensation Act Liabilities	Favorable
Investments	Favorable

Projected Achievements

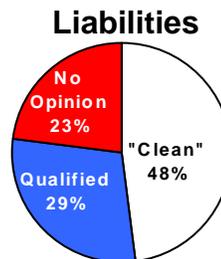
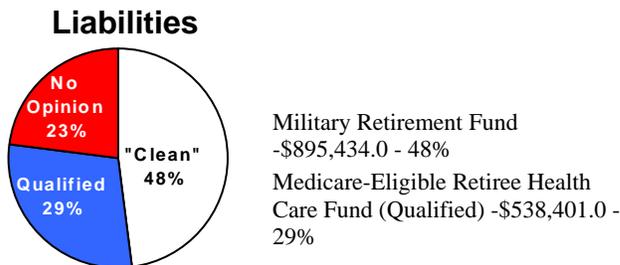
Building on the success already achieved to date and based on the timelines presented in the key milestone plans, the Department expects to achieve timely, reliable, and accurate information that has been independently verified for 71 percent of assets and 80 percent of liabilities by 2010. The Department’s planning processes are underway. Because the Department is committed to implementing solutions that best resolve its problems, the approach is event driven and not date driven. It is premature to project when an opinion will be achieved for the entire Department and current projections will change. However, Department goals for the next five years are presented below. In the charts below, “Clean” is a combination of unqualified audit opinions and favorable results from other financial audits. The 2005 Assets and Liabilities dollars and percentages represent baseline figures. Incremental achievements are noted in sidebars for the applicable year. All dollar values are in millions.

KEY			
GF	General Fund	CIP	Construction in Progress
WCF	Working Capital Fund	DERP	Defense Environmental Restoration Program



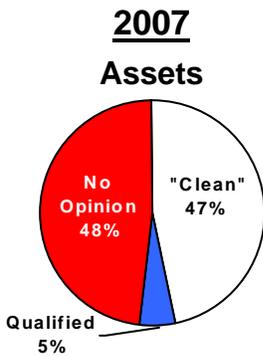
FY 2006 Additions:

Military Equipment - Baseline
Army - \$96,720.0 - 7.6%
Navy - \$140,280.0 - 11.0%
Air Force - \$92,270.0 - 7.2%



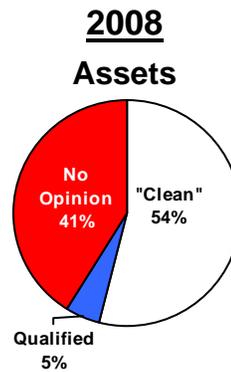
No Changes

**Financial Improvement and Audit Readiness Plan
December 2005**



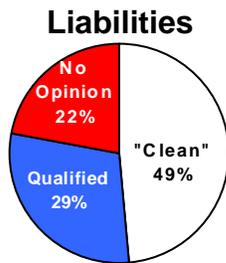
FY 2007 Additions:

Fund Balance With Treasury
Air Force GF - \$62,273.0 - 4.9%

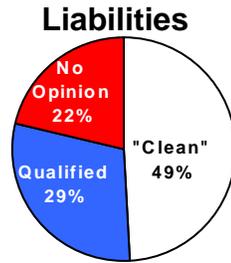


FY 2008 Additions:

Fund Balance With Treasury
Army GF- \$86,799.0 - 6.8%
Air Force WCF - \$1,164.2 - 0.1%
Real Property
DLA - \$1,175.2 - 0.1%



Environmental Liabilities
Navy Ships/Subs - \$12,487.2 - 0.7%

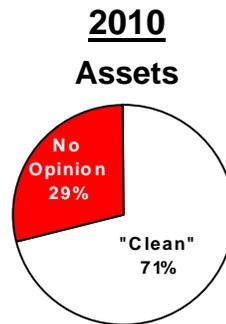


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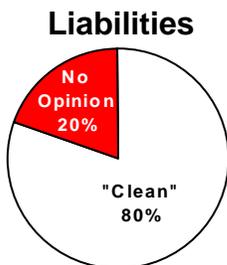
FY 2009 Additions:

Medicare-Eligible Retiree
Health Care Fund - \$60,740.9- 5%
Fund Balance With Treasury
Navy GF & WCF- \$86,712.6 - 6.8%
DLA GF & WCF- \$629.8 - <0.1%
Real Property
Army - \$22,986.8 - 1.8%
Navy - \$20,281.8 - 1.6%
Air Force CIP - \$4,759.7 - 0.4%
(Navy achieves FASAB Compliance for Military Equipment.)

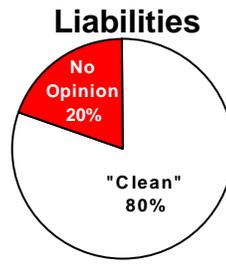


FY 2010 Additions:

Fund Balance With Treasury
Army WCF- \$623.3 - <0.1%
Real Property
Air Force Other - \$19,663.8 - 1.5%
(Army and Air Force achieve FASAB Compliance for Military Equipment.)



Medicare-Eligible Retiree
Health Care Fund - \$538,401.0 - 29%
Environmental Liabilities
Army DERP & Non DERP
-\$40,290.0 - 2.2%
Navy DERP & Non DERP
-\$4,563.3 - 0.2%
DLA DERP & Non DERP
-\$325.2 - <0.1%



Environmental Liabilities
Air Force DERP - \$6,552.8 - 0.3%

SCOPE AND APPROACH

Scope

The FIAR Plan lays out a process for achieving comprehensive financial management improvements. Planning steps are targeted and incremental. Based on the value of DoD assets and liabilities, the Department identified four initial focus areas. These focus areas are Military Equipment, Real Property, Medicare-Eligible Retiree Health Care Fund, and Environmental Liabilities. For each focus area, the Department determined improvements and changes that needed to be standardized and completed in order for DoD to achieve its goals. Components were then asked to develop key milestones plans that would delineate the necessary steps for that Component to meet the standardized objectives. This process of identifying a need, determining DoD-wide efforts that must be undertaken, then setting Component-level goals for achieving success is the essence of the FIAR Plan and a process which is replicated as other needs are identified.

To date, detailed plans focusing on the Balance Sheet for the Army, Navy, Air Force, Defense Logistics Agency, Medicare-Eligible Retiree Health Care Fund, Other Military Retiree Health Care, U.S. Marine Corps, and U.S. Army Corps of Engineers, Civil Works have been developed. These DoD Components account for 79 percent of DoD assets and 52 percent of DoD liabilities. Strategies for developing detailed plans for the remaining Defense Agencies and funds are included in the FIAR Plan. Many of these agencies have already started the planning process. Solutions already identified in the FIAR planning process will help those agencies still developing detailed plans and key milestones.

As the FIAR Plan continues, goals for improving processes and systems related to other balance sheet line items and other financial statements will be standardized. Key Milestone Plans for newly identified focus areas will be added. Further, other DoD Components will be developing key milestone plans for improvement.

This December 2005 report on the FIAR Plan presents detailed narrative overviews on DoD initiatives to improve financial management and achieve audit readiness. Initiatives are organized by Balance Sheet line-item. Key Milestone Plans associated with the Balance Sheet Initiatives are organized by DoD reporting entity. The Department's initiatives for improving other financial statements are presented. Initiatives for the U.S. Marine Corps and the U.S. Army Corps of Engineers, Civil Works are also included in the FIAR Plan because these organizations propose to assert for audit in FY 2007 and FY 2006, respectively.

Rules for Financial Improvement

Although the challenges of financial management are well known, the Department needed an organized process for examining its operations, diagnosing problems, planning corrective actions, and preparing for audit. Neither the Department nor the Military Departments has successfully passed the scrutiny of an independent audit. As a result, the Under Secretary of Defense (Comptroller) (USDC(C)) issued business rules laying out five standard steps each Component must use to plan financial management improvements. These business rules also helped the Department comply with the National Defense

*Financial Improvement and Audit Readiness Plan
December 2005*

Authorization Act for FY 2002 (PL 107-107), which directed the Department to minimize money spent on audits by waiting until improvements were in place. Descriptions of the five steps, and a chart delineating the steps, follow:

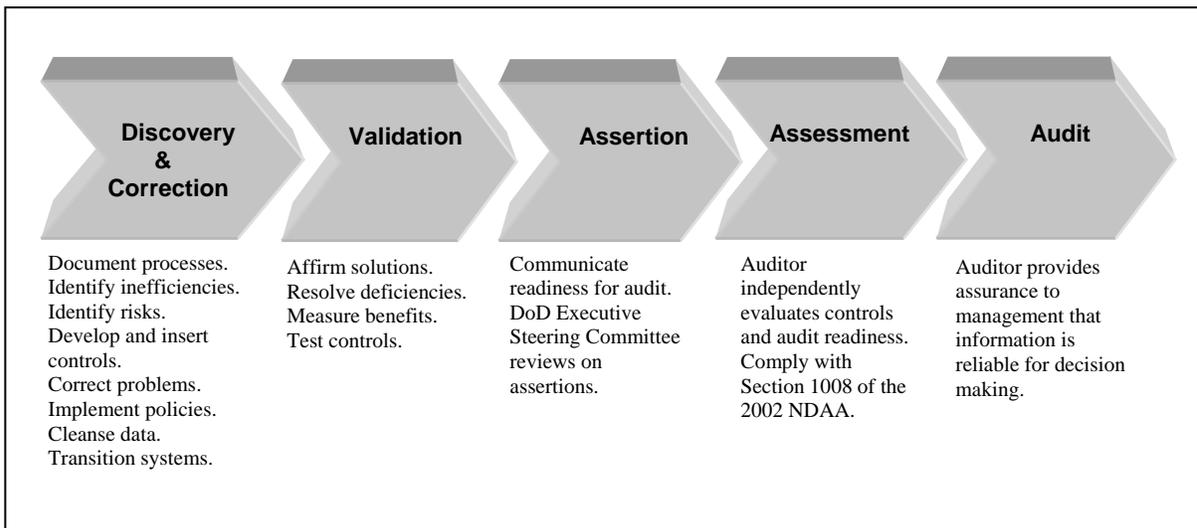
Discovery and Correction. Management reviews its policies, processes, controls, and systems to identify deficiencies that impede accuracy, reliability, or timeliness. Management then identifies and implements the appropriate corrective actions.

Validation. Management validates that the corrective actions successfully resolved the impediment. This validation is done for the benefit of management, to give management confidence that the applied solutions and controls actually work as intended. The scope of the validation is at the discretion of management.

Assertion. Management asserts to the Inspector General of the Department of Defense (IG, DoD) the reliability of the financial information. Currently, the Department has established a detailed assertion process to help management assert with confidence that due diligence was taken to resolve all known problems and prepare for audit. Assertion packages are submitted by the Components to the DoD Financial Improvement Executive Steering Committee. The Committee reviews the package to make sure the Component is presenting an assertion that will likely pass the scrutiny of an independent audit. Once approved by the Executive Steering Committee, the Component makes the funding available to the IG, DoD who then can move forward with the assessment.

Assessment. The IG, DoD does a limited review of controls and procedures to determine if the financial information is a credible candidate for a full financial audit. This work may be done in-house by the IG, DoD or contracted to an Independent Public Accountant.

Audit. The IG, DoD audits the organization's financial information asserted as being ready for audit and that passed the IG, DoD assessment. This work may be done in-house by the IG, DoD or contracted to an Independent Public Accountant.



The business rules provide a framework and a logical sequence for planning and executing a comprehensive financial management plan. Activities may progress through the phases independent of other activities. Further, results from one phase may identify additional problems that need correcting.

These business rules align with and assist the Department in implementing Office of Management and Budget (OMB) Circular A-123, "Management's Responsibility for Internal Control," as revised December 21, 2004. That circular requires management to review its procedures, flowchart its processes, assess material risks, and identify material internal controls. Combined, these tasks align with the purpose and intent of the discovery portion of the "Discovery and Correction" phase in the business rules. Appendix A of the OMB Circular A-123 requires that management test controls that management believes are working effectively. Control testing aligns with the "Validation" phase of the business rules. If, as a result of those control tests, additional corrective action is needed, those corrective actions become part of the standard corrective processes in the "Discovery and Correction" phase. At the completion of the control testing, management is required to assert to the reliability of the controls. This assertion feeds naturally into the "Assertion" phase of the business rules. (*See Appendix P for the Department's plan for internal controls.*)

Financial Improvement Plans: Building Blocks for the FIAR Plan

The Army, Navy, Air Force, DLA, Medicare-Eligible Retiree Health Care Fund, Other Military Retiree Health Care, U.S. Marine Corps, and U.S. Army Corps of Engineers, Civil Works prepared Component Financial Improvements Plans (FIPs). The Components identified tasks and milestones by specific business rules phases. To build their individual FIP, each Component identified their problems. The types of problems identified included policy deficiencies, broken or nonexistent processes, control weaknesses, and systems limitations. Next, the Components matched solutions to those problems. For systems solutions, their primary sources were the transformation activities planned through their own Component Transition Plans and the DoD Enterprise Transition Plan.

In the Component Transition Plans, each Component identified systems that need to be either modified or replaced.

Components matched these system solutions from their Transition Plans to financial management deficiencies in their FIPs. Completion dates from the Transition Plans were used in the FIPs. As a result, the Component FIPs are directly dependent on solutions in their Transition Plans.

Similarly, the DoD Enterprise Transition Plan identified systems changes and transformation initiatives that benefit the entire Department. The Components matched these solutions to problems included in their FIPs and identified during discovery efforts. The Enterprise Transition Plan was published in September 2005.

Financial Improvement Plan Criteria

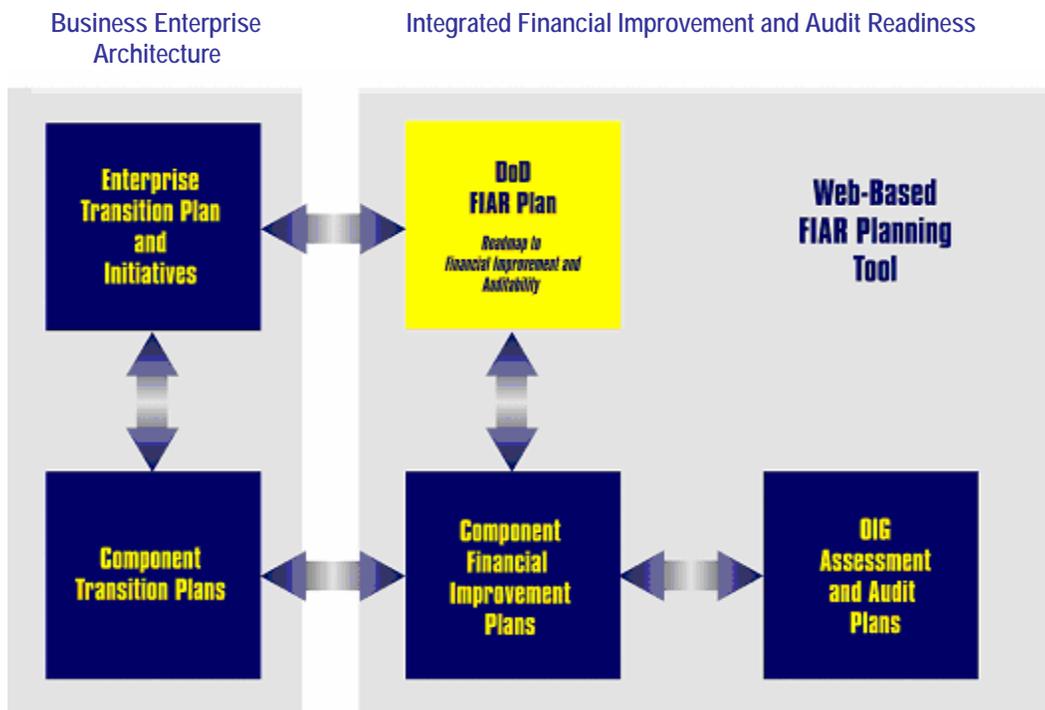
- Type of solutions
- Impact and timing of critical systems modernization plans and deployments
- Availability of resources
- Cross-Component dependencies
- Corrective action plans of other organizations
- Cost of manual workarounds

To ensure continuity across DoD, all system solutions must align with the Business Enterprise Architecture. The most recent Business Enterprise Architecture was published in September 2005.

Both the DoD Enterprise Transition Plan and the Business Enterprise Architecture are produced and managed as part of the Business Transformation Agency.

For the auditing phase of the Components' FIPs, each Component, in coordination with the IG, DoD, projected timelines for when the IG, DoD or an independent public accountant could conduct the assessment and audit.

The following chart shows how the FIAR Plan relates to other DoD efforts:



Building a DoD-Wide FIAR Plan

Component FIPs were submitted to the Office of the Deputy Chief Financial Officer (DCFO), which consolidated these plans using the FIAR Planning Tool (FIAR-PT) – a web-based, project management tool. The FIAR Directorate, which resides within the Office of the DCFO, is dedicated to improving financial management, led this effort. Two key forums for crafting the plan were the FIAR Committee and the Planning Workshops.

FIAR Committee

A FIAR Committee chaired by the DCFO, with executive-level representatives from the Office of the USD(C), Military Departments, Defense Logistics Agency, and Defense Finance and Accounting Service (DFAS), provided core leadership for developing the

structure and priorities of the planning process. The FIAR Committee was advised by the Inspector General, Department of Defense. When leaders within the financial community were brought together, they established a collaborative and unified approach to planning.

The FIAR Committee agreed on six principles to guide the planning process.

FIAR Plan Principles

- Institute one DoD financial improvement plan with tiered Component plans and accountability.
- Employ a collaborative management process.
- Use a prioritized, incremental approach.
- Integrate Transformation programs across Components.
- Optimize performance through standardized processes, controls, and systems.
- Learn from each other's approaches, challenges, and successes.

Planning Workshops

To create DoD key milestone plans, the FIAR Directorate hosted a series of workshops. The participants were critical to the quality of the product. The FIAR Directorate invited leaders responsible for specific operational guidance and policy from other offices in the Office of the Secretary of Defense (OSD). With a united operational and financial OSD leadership team in place, the Military Departments, the Defense Logistics Agency, and Defense Finance and Accounting Service sent operational and financial subject matter experts. The IG, DoD also advised these forums.

At the workshops, the Army, Navy, Air Force and Defense Logistics Agency presented their FIPs. Problems and solutions were exchanged. Instances in which one Component was dependent upon another were identified. From this analysis, the workshop participants recommended a set of high-level, key milestones for resolving deficiencies, implementing better processes, and realizing timely, reliable, accurate, and verifiable information. This process resulted in the Key Milestone Plans included as Appendices.

Integration with Defense-Wide Business Transformation

The highest level of integration between the FIAR Plan and overall defense business transformation has already been achieved in that the Components used solutions from the Enterprise Transition Plan to resolve problems identified in their FIPs. Integration did not stop there.

Milestones in the Enterprises Transition Plan are described as capabilities. For example, the Department wants to improve its ability to satisfy the needs of internal and external customers by issuing or transporting forces, inventory, materials, or equipment. This capability is titled "Deliver Property and Forces." Capabilities are grouped into several categories, including the "Financial Visibility" category. Financial Visibility means that

management has quality information for making financial and operational decisions. Financial Visibility is integral to the FIAR Plan. By working toward improving the same capabilities, the Enterprise Transition Plan and the FIAR Plan advance common goals. The capabilities for Financial Visibility follow:

Forecast, Plan, Program, and Budget. The ability to develop, review, evaluate, and support financial forecasts, plans, programs, and budgets and integrate them with appropriate performance indicators to achieve effective business operations and program goals.

Manage Financial Assets and Liabilities. The ability to identify, classify, value, and manage fiscal assets, to include accounts receivable; and liabilities, to include accounts payable from acquisition inception to disposal or liquidation.

Funds Allocation, Collection, Disbursement, and Control. The ability to control and distribute funds based on appropriation and authorization laws, and the ability to monitor such funds against available balance.

Manage General Ledger. The ability to record proprietary and budgetary general ledger (USSGL) transactions in accordance with accounting standards of the Federal Accounting Standards Advisory Board, Generally Accepted Accounting Principles and regulatory requirements. The ability to define the use of, and rules to control, USSGL accounts, and the ability to conduct GL analyses and reconciliations.

Managerial Accounting. The ability to accumulate, classify, measure, analyze, interpret, and report cost and other financial information useful to internal and external decision makers. Reviewing the execution of an organization's program or project resources to ensure they are effectively being used to meet objectives.

Financial Reporting. The ability to provide relevant financial visibility and real-time information dashboards for DoD decision makers; the ability to summarize financial information for the purpose of producing mandatory reports in compliance with regulatory requirements; and the ability to develop discretionary reports in support of other requirements.

This plan identifies the financial capabilities and other business capabilities that are improved through the initiatives presented in Chapter 2. (*See Appendix O for the entire list of DoD Business Enterprise Priority Capabilities.*)

WHY THE FIAR PLAN WILL SUCCEED

The Department's commitment to making changes in financial management goes beyond the FIAR Plan. A comprehensive infrastructure is in place.

Department-Wide Planning Tool

The DoD FIAR Planning Tool contains the DoD plan and the Component FIPs. Personnel at installations around the world can see the tasks they must complete. Senior leaders can measure and track progress.

Monthly and Quarterly Oversight

Senior leaders throughout the Department are committed to implementing the FIAR Plan. To clearly establish this priority, the Deputy Secretary of Defense requested quarterly progress reports. The USD(C) holds quarterly progress reviews. The DCFO, along with equivalent partners in Health Affairs, and Acquisition, Technology, and Logistics monitors progress toward completing the key milestones. Each Component also monitors its own progress. The Department uses metrics to measure progress in completing key milestones each month.

The Department is not alone in providing oversight. The President's Management Agenda (PMA) requires federal agencies to improve financial performance. The Office of Management Budget (OMB) monitors progress against metrics on which DoD reports quarterly. The FIAR Plan key milestones are the metric for the PMA. Reporting began in December 2005 for the first quarter of FY 2006. Regular DoD progress reviews and key milestone controls ensure that the financial improvement metrics reported to OMB are based on strict internal management objectives and are reliable.

Enhanced Human Resources

Enhancing DoD financial management human resources is critically important to the Department's ability to meet its financial management improvement goals. Business savvy professionals are vital to identifying and mitigating risks, recognizing anomalies, and maximizing the value of every dollar. Demonstrating its commitment, the Department undertook a number of initiatives to enhance its financial management human resources. First, a Financial Management Training Plan was developed to educate both the operational and financial communities on how to improve controls, prepare for audit, and better manage inventory, real property, and environmental liabilities. Eight hundred thirty-two participants have been trained in these key knowledge competencies. Direct-hire authority for accountants was also granted to the Office of the USD(C).

Funding

Adequate resources are essential to the successful execution of the FIAR Plan. Adequate resources include government personnel within the Military Services and Defense Agencies, funding for contractor support, and funding for other related activities and items. Other items might include travel, training development, training of government personnel, or other audit preparation activities.

In developing the FIAR Plan, lists of required resources were collected from the Army, Navy, Air Force, DLA, Health Affairs, U.S. Marine Corps and U.S. Army Corps of Engineers, Civil Works. The IG, DoD projected the resources required to perform assessments and audits. These resource requirements do not include the costs to modernize or acquire new financial or business systems. Those costs are included in the Enterprise Transition Plan.

Representatives from the Army, Navy, Air Force, DLA, U.S. Marine Corps, Health Affairs, and Army Corps of Engineers, Civil Works and representatives from the Office of USD(C)/Program Budget and the FIAR Directorate reviewed the FY 2006 and FY 2007 resource requirements. The reviews verified that sufficient funding exists in the FY 2006

budget to execute key milestones for priority Balance Sheet line items for Real Property, Military Equipment, Environmental Liabilities, and the Medicare-Eligible Retiree Health Care Fund. The resources needed to execute the key milestones in FY 2007 will be addressed in the FY 2007 budget process.

SUMMARY

The Department of Defense leads its financial improvement efforts with the same commitment and determination with which it approaches any critical mission. Problems did not develop overnight and will take time to resolve. Progress will be realized incrementally.

The Department's goal is to have business operations that are as flexible and responsive as the modern warfighter. Financial accountability is essential. It is a serious responsibility owed to the men and women in uniform.

Substantial progress has been made. Through the FIAR Plan, the financial and operational communities are united. People, resources, and tools are dedicated. Work is assigned and individuals are held accountable. Progress is regularly reported, and continual improvement controls are in place.

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Chapter 2: Plans to Improve Financial Management and Achieve Audit Readiness



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PLANS TO IMPROVE FINANCIAL MANAGEMENT AND ACHIEVE AUDIT READINESS

Chapter 2 Addresses:

- Challenges Identified by Government Accountability Office and the DoD Inspector General
- Initiatives for Balance Sheet Assets and Liabilities
- Other Financial Statement Initiatives
- The U.S. Marine Corps Initiative
- The U.S. Army Corps of Engineers Initiative
- Strategy for Planning Improvements in the Defense Agencies and Funds
- Strategy for Conducting Systems Audits

CHALLENGES IDENTIFIED BY GAO AND THE IG, DoD

As part of the Department's discovery process, Components considered external sources that had already identified specific risks and weaknesses in financial management. Both the Government Accountability Office (GAO) and the Inspector General of the Department of Defense (IG, DoD) offered insights.

GAO High Risk Series

The GAO considers the Department's financial management to be a high risk for the federal government. GAO identifies the ability to manage costs, maintain accountability, anticipate future costs, and control funds as some of the basic but critical functions that need attention. Through Balance Sheet initiatives and other financial statement initiatives, DoD is improving the underlying processes, controls, and systems that enable the Department to turn these risk areas into efficiencies.

Material Weakness Identified by the Department of Defense Inspector General

The IG, DoD conducts annual financial audits required by the Chief Financial Officers Act of 1990 (PL 101-576) as amended. Because DoD is not ready for a full financial statement audit, the IG, DoD reviewed portions of the Department's financial management process.

From the audits performed, the IG, DoD identified 11 material internal control weaknesses, commonly called material weaknesses. Material weakness is a technical term referring to

an identified problem that may impact the accuracy and reliability of financial information. The Department is committed to implementing solutions that best resolve its problems. It is premature to project when these material weaknesses will be completely resolved and current projections may change.

The 11 material weaknesses and the Department's approach to resolving the weakness follow:

1. Financial Management Systems.

“The Department’s systemic deficiencies in financial management systems and business processes result in the inability to collect and report financial and performance information that is accurate, reliable, and timely.” (*Reference: FY 2005 DoD Performance and Accountability Report (PAR), Part 1*)

In other words, the Department cannot collect and report accurate, reliable, and timely financial and performance information because of system-wide gaps, and financial systems and business processes problems.

The financial management systems being developed under the Enterprise Transition Plan are the solutions for this weakness. Within the Enterprise Transition Plan, and under the oversight of the Financial Management Investment Review Board, the Military Services and Defense Logistics Agency (DLA) are developing core financial systems that will solve much of this weakness. These systems are:

- The Army’s General Fund Enterprise Business System (GFEBS) and Logistics Modernization Program (LMP).
- The Navy’s Converged Enterprise Resource Planning System.
- The Air Force’s Defense Enterprise Accounting Management System (DEAMS) and Expeditionary Combat Support System (ECSS).
- The Defense Logistics Agency Business System Modernization (BSM).

2. Intragovernmental Eliminations.

“The inability to reconcile most intragovernmental transactions results in adjustments that cannot be fully supported.” (*Reference: FY 2005 PAR, Part 1*)

The Department cannot reconcile transactions involving the exchange of goods and services within DoD and with other federal agencies. These transactions are referred to as inter- or intra-governmental transactions. For DoD and the Federal Consolidated Financial Statements, the transactions for the buying and selling of goods and services must be identified for off-setting entries. Because DoD’s processes and systems do not have information for every transaction, unsupported estimates and adjustments are made during financial statement preparation.

Two systems being developed under the Enterprise Transition Plan offer solutions to this weakness. First, at the Component-level, core financial systems identified in the Financial Management Systems material weakness are being developed. These systems collect information on sales and purchases. Second, under the Intragovernmental Transactions Initiative, a process for exchanging information on sales and purchases between DoD organizations is being developed.

3. Accounting Entries.

“The DoD continues to enter material amounts of unsupported accounting entries.”
(Reference: FY 2005, PAR, Part 1)

Unsupported accounting entries are adjustments made to accounting records to balance general ledgers when they do not add up. Unsupported adjustments are transactions that do not have supporting documentation and cannot be verified in an audit.

In many instances, current accounting systems do not have the capability to collect information necessary for preparing complete financial reports and statements. Differences between similar types of information cannot always be identified. Out-of-balance general ledgers result from inadequate or incorrect information in processes and systems. To fill these gaps, adjustments to the records are made using the best available information.

The Department continues to emphasize the importance of fully documenting adjustments, and progress has been made. The Department reduced its unsupported accounting adjustments by 90%, or from \$2.3 trillion, in 1999 to \$250 billion in 2005. Notwithstanding this progress, resolving this weakness relies on the new core accounting systems identified in the Financial Management Systems material weakness.

4. Fund Balance With Treasury

“The Department has been unable to fully reconcile its records to those of the U.S. Treasury.” (Reference: FY 2005, PAR, Part 1)

The Department cannot reconcile its accounting of disbursements and collections and keep an accurate balance of funds with the U.S. Treasury.

Over the last three years, significant progress has been made as a result of the Air Force and Army reengineering their processes and resolving many of the discrepancies between their Department’s records and the Treasury records. Both the Air Force and the Army are

ready for auditors to independently verify that the controls are functioning properly and that balances are correctly recorded. The Fund Balance With Treasury Initiative contained in this chapter and the associated Key Milestone Plans in Appendix C provide solutions for this weakness. Significant portions of this material weakness are expected to be resolved in FY 2007 for Army and Air Force. The Navy expects to resolve their portion of this material weakness in FY 2009.

5. Environmental Liabilities

“Guidance and audit trails are insufficient. The inventory of ranges and operational activities (landfills, open burning pits, etc.) is incomplete.” (*Reference: FY 2005, PAR, Part 1*)

The Department lacks the necessary infrastructure to identify, estimate, and report environmental liabilities.

Environmental Liabilities (the identification, valuation, recognition, and reporting of) is a capability and initiative under the Real Property Business Enterprise Priority in the Business Enterprise Architecture and the Enterprise Transition Plan. The Environmental Liabilities Initiative contained in this chapter and the associated Key Milestones Plan in Appendix J provides solutions for this weakness. Policies, processes, and controls are being modified so that the Department can have a complete inventory of sites and equipment, prepare estimates that can be verified by auditors, and reconcile environmental sites with asset records. This material weakness is expected to be resolved in FY 2010.

6. General Property, Plant, and Equipment (GPP&E)

“The cost and depreciation of the DoD General PP&E is not reliably reported due to: 1) accounting requirements that went into effect in FY 2003 that classify military equipment as General PP&E (such costs were previously expensed); 2) a lack of supporting documentation for General PP&E purchased many years ago; and 3) most legacy property and logistics systems not being integrated with acquisition and financial systems and not designed to capture the acquisition cost, cost of modifications and upgrades, or calculate depreciation.” (*Reference: FY 2005 PAR, Part 1*)

The root cause of this weakness is the lack of a standardized, Department-wide costing methodology with supporting systems and processes and a complete inventory of all existing PP&E.

In order to solve this weakness, GPP&E is broken down by categories of property (Military Equipment, Real Property, Internal Use Software, and Other GPP&E). A narrative overview for each property category initiative is included in this chapter. The

overall approach for each initiative is to identify existing inventories and develop costing methodologies. Resolving this material weakness requires changes to policies, processes, systems, and data standards to enable accurate reporting. This material weakness is expected to be resolved in FY 2011. Key milestone plans for Military Equipment and Real Property are included in Appendices A and B, respectively.

7. Government Property and Material in the Possession of Contractors

“The cost of DoD property and material in the possession of contractors is not reliably reported due to a lack of an integrated reporting methodology.” (*Reference: FY 2005 PAR, Part 1*)

Closely related to the GPP&E weakness, the Department does not have an accurate inventory and related cost for property and material in the possession of contractors. As a result, the values are not reported on the financial statements.

The solution for this weakness is closely linked with the GPP&E weakness. Most of the government property and material in the possession of contractors is used in the production of weapons systems. This material weakness will be resolved when a fully compliant military equipment process is in place. Other types of governmental property in the possession of contractors are being identified as part of the discovery phase. At this time, key milestones have not been developed. Since this weakness is closely related to the resolution of GPP&E, it is also expected to be resolved in FY 2011.

8. Inventory

“The existing inventory valuation of most activities is not reported in accordance with Generally Accepted Accounting Principles.” (*Reference: FY 2005 PAR, Part 1*)

The Department has long-standing deficiencies in accounting for inventories. Costing methodologies, inventory counts, and appropriate levels of inventories needed to support missions are not reported accurately on financial statements in accordance with Generally Accepted Accounting Principles.

The Enterprise and Component Transition Plans provide solutions to this weakness. The military services logistics communities and the DLA have been actively developing integrated inventory and accounting systems for several years. These systems are designed to record both the physical and fiscal inventory levels and values. Progress on resolving this weakness is captured as inventory systems are modernized to include costing methods and moving-average costs. The Department is in the process of developing Key Milestone

Plans for Inventory and Related Property. Milestones are included in this chapter and Appendix D.

9. Operating Materials and Supplies

“The Department’s systems were designed to expense materials when purchased rather than when consumed.” (*Reference: FY 2005 PAR, Part 1*)

Historically, the Department expensed materials at the time of purchase because processes and systems were unable to track and record increases and decreases in inventory amounts and values at the time of use.

The solution to this weakness is closely related to the solutions for Inventory. Again, and as referenced in the Enterprise and Component Transition Plans, the Military Services and DLA communities are modernizing inventory systems to resolve this weakness.

10. Statement of Net Cost

“The Statement of Net Cost is not presented by programs that align with major goals and outputs in DoD’s strategic and performance plan. A strategic and performance plan was required by the Government Performance and Results Act (GPRA) (PL 103-62). Revenues and expenses are reported by appropriation categories because financial processes and systems do not collect costs in line with performance measures.” (*Reference: FY 2005 PAR, Part 1*)

At the Secretary-level, the Department must identify programs that need to be included in the Statement of Net Cost. The Statement of Net Cost must indicate what it costs to achieve the mission. Each program identified should be directly linked to the Department’s strategic and performance goals.

Solving this material weakness involves the coordination of many initiatives. The identification of programs that support DoD’s strategic and performance goals will require senior leadership approval for reporting. Resolving this material weakness also requires implementation of the Enterprise Transition Plan solutions, including the Standard Financial Information Structure (SFIS), Business Enterprise Information Services (BEIS), and Intragovernmental Transactions (IGT) Initiatives.

11. Statement of Financing

“The Department cannot reconcile budgetary obligations to net cost without making unsupported adjustments.” (*Reference: FY 2005 PAR, Part 1*)

The Statement of Financing reconciles the financial (or proprietary) net costs of operations with the obligated budgetary authority. It is accrual-based reporting as contrasted to the budget-based reporting of the Statement of Budgetary Resources.

As with other statements, resolving this material weakness requires the implementation of several initiatives. These solutions include the SFIS, BEIS, and the use of modern accounting systems capable of using the SFIS. This material weakness will be resolved in stages as solutions and systems are implemented.

BALANCE SHEET ASSETS INITIATIVES

The fiscal impact of all business processes converge in the financial statements, and therefore, the financial statements provide a simple framework for organizing, planning, and prioritizing FIAR Plan efforts. Each FIAR Plan initiative is introduced with a brief explanation of the subject and an overview of the value that initiative provides to management. The Challenges section describes the context and complexities associated with making progress, followed by descriptions of the Major Deficiencies and significant Actions to Date. A brief statement of the Risks and Limitations shows potential factors that could influence progress. The Business Enterprise Architecture and Enterprise Transition Plan section identifies how other DoD initiatives integrate with the FIAR Plan. Business capabilities that are enhanced are also identified.

For planning purposes, processes are broken into categories that best fit the business areas being improved. However, as corrective actions are implemented and audits planned, the Department continually considers ways to achieve economies of scale.

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For FY 2005, the Department reported \$1.3 trillion in assets. The assets are ranked by size in the chart below.

FY 2005 Assets	Dollars (\$ in millions)	Percent of Total Assets
General Property Plant & Equipment	460,699.30	36%
Military Equipment (27%)*	340,809.8	
Real Property (8 %)*	99,335.0	
Internal Use Software (<1%)	3,484.3	
Other (1%)	17,070.20	
Fund Balance With Treasury	290,657.1	23%
Investments	263,972.8	21%
Inventory & Related Property	222,573.3	17%
Other Assets	25,216.3	2%
Accounts Receivable	8,906.8	1%
Cash and Other Monetary Assets	2,072.7	<1%
Loans Receivable	75.6	<1%
Total Assets	\$1,274,173.9	

* Focus Areas

Military Equipment Initiative

Satellites, aircraft, combat ships, electronics, watercraft, launch vehicles, construction equipment, ballistic missiles, communications systems, and combat vehicles are examples of DoD military equipment that must be valued and reported on DoD financial statements. In FY 2005, the Department reported a net book value of \$341 billion in military equipment – 27 percent of DoD assets and fully 74 percent of the Department’s General Property, Plant, and Equipment. The acquisition value is estimated at \$1.2 trillion. The Military Equipment initiative targets improving the accuracy of amounts reported. This is accomplished by identifying all military equipment programs and developing values that fairly represent the cost of the equipment. Reliability is increased as rigorous documentation controls are implemented. Timeliness is addressed through the use of automated tools for collecting quantity and cost information.

Value to Management

Financial management improvements enable the Department to more accurately capture the cost and age of existing military equipment. This improves acquisition and disposal decisions. Better financial management enhances the functionality of the data and assures management that the information is reliable for decision making. For example, costs of

Department's \$99.3 billion of Real Property net book value accounted for 8 percent of the Department's assets reported for FY 2005. The Real Property initiative targets improving the accuracy of amounts reported for Real Property by ensuring all pieces are identified, correct costs are assigned, and the proper DoD organization is reporting the property. To improve reliability, the Real Property initiative focuses on obtaining and retaining adequate source information, such as the "Transfer and Acceptance of Military Real Property" document that auditors can use to verify the cost and acceptance date of property.

Value to Management

With reliable information, managers can match the costs associated with specific buildings and structures to the mission that the property supports. The Real Property initiative also contributes to resolving the General Property, Plant, and Equipment material weakness. When these solutions are implemented, management will be assured that DoD's real property inventory is complete, and the proper value is reported in the financial statements.

Challenges

Maintaining an accurate inventory is challenging but especially so in an organization as large as DoD. With more than 600,000 facilities located on more than 3,740 sites on nearly 30 million acres, the Department must maintain accurate and reliable information on the quantity, quality, and value of its real property. The Army controls the largest percentage of the Department's land – 52 percent. The Air Force manages the next largest portion of total acreage at 33 percent.

Each year, the Department adds new buildings and modernizes existing structures. Buildings and structures are sometimes transferred to other Federal agencies or to the public, or demolished. Such events necessitate changes to inventory records. Though periodic inventories validate the accuracy of the property records, they are not always performed. The Department must maintain accurate inventory records and user information. Records must include the date the property was constructed or acquired. Expenditures must be capitalized or expensed.

Reporting the real property on the correct financial statements poses another challenge. By statute, only the Army, Navy, Air Force, and the Washington Headquarters Services can own real property. The user of the property is frequently not the owner. However, the user is responsible for reporting the property cost and depreciation on its financial statements. As a result, various Defense Agencies that do not own the property are reporting real property valued at billions of dollars.

Revising the capitalization threshold presents a third challenge. Presently, the Department capitalizes and depreciates expenditures equal to or greater than \$100,000. Lesser expenditures are expensed. A recent study found that significant dollar amounts, which would be more appropriately capitalized, are being expensed under the current threshold. While the threshold is being lowered, implementation of the lower threshold will be challenging because more acquisition documents will have to be retained.

Finally, audited financial statements require greater emphasis on document retention. The cost and date the property was acquired must be documented or reliably estimated.

Documentation often was not retained because much of the Department’s real property was constructed before audited financial statements were required.

Deficiencies and Actions to Date

The Department is overcoming deficiencies, but much remains to be done. For example, since much of the original documentation was not retained, the Department faces an enormous challenge in verifying the recorded costs and acquisition dates of its real property.

The Department has reengineered the real property inventory process. The effort concentrated on the information needed to describe the physical, legal, and financial characteristics of property. It produced a common business process model for the real property inventory records systems, standard data elements and data definitions, data business rules, and recommendations for policy changes.

To better manage its real property, the Department is implementing a Real Property Unique Identifier (RPUID) that links asset data across systems such as Social Security Numbers link data for individuals. Each real property site and asset will have its own unique identifier.

The Department implemented a metric to measure progress toward reconciling property records between the actual user and the Military Department that owns the property.

DoD Reporting Entity	2006				2007				2008				2009				2010				2011			
	Q1	Q2	Q3	Q4																				
Army																								
Navy																								
Air Force																								
USMC																								
DLA																								

Real Property Projected Favorable Audit Results

(See Appendix B for more information.)

Risks and Limitations

Delays in implementing the Asset and Site UID Registry could impact the Department’s efforts to link real property transactions and potentially impact this initiative.

Business Enterprise Architecture and Enterprise Transition Plan

The Real Property Key Milestone Plan identifies solutions based on the Under Secretary of Defense for Acquisition, Technology, and Logistics Real Property Inventory Requirements (RPIR). These solutions enhance DoD’s ability to value and cost out real property, and directly support the Department’s Real Property Capability. The goals and capabilities the initiative supports are real property inventory, the management of financial assets and liabilities, and financial reporting.

Internal Use Software Initiative

Internal Use Software (IUS) includes business systems or applications that are operated by, for, or on behalf of DoD, including financial systems, financial data feeder systems, and information technology and information assurance infrastructure. Internal Use Software also includes the operating system, programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program. In FY 2005, the Department reported a net book value of \$3.48 billion for IUS. The acquisition value for IUS was \$7.89 billion.

Internal Use Software does not include software used in military equipment or other computer operated equipment or systems, nor does it include software used in Special Test Equipment. The Internal Use Software initiative improves accuracy by identifying the complete universe of IUS and determining its appropriate value. Reliability is improved as the Department is able to verify that amounts recorded in financial and management records match what actually exists.

Value to Management

The Department will be better able to manage IUS and improve the accuracy of the costs and age of IUS items. Acquisition and disposition decisions will be supported. The Internal Use Software initiative enables the Department to better determine the cost, manage accountability and valuation of IUS, and support comparisons between internally developed and commercial-off-the-shelf (COTS) software. The result will be an efficient and effective DoD Information Technology (IT) infrastructure. The initiative addresses, in part, the material weakness for General Property, Plant, and Equipment.

Challenges

The quantity, cost, and depreciation of IUS are not fully reported. Among the Military Departments, the Army leads the way in developing a process to identify and report IUS. The Navy and Air Force have also laid out a way forward. The many thousands of systems throughout the Department present a challenge for identifying and reporting IUS.

Deficiencies and Actions to Date

In order to improve capital planning and resource allocation, DoD must know the total acquisition cost of IUS, its location and status, its useful life, net book value, and life cycle costs. Such information must be analyzed over time so that value trends can be tracked, the cost and performance of similar programs compared, and the DoD IT infrastructure right-sized. The Department uses this information in the same way a business analyst considers hardware and software costs and benefits when assessing the value of a company.

Significant changes must be made to the Department's business processes and information systems, including changing how commercial contracts for IUS are written so that acquisition, logistical, human resource, and finance and accounting systems are better linked and interfaced.

The Department has made progress toward its IUS valuation and reporting objectives. The Army has completed a review of 65 percent of its IUS systems. The Army has recorded 67

IUS systems in the Defense Property Accounting System (DPAS), for a total baseline valuation of \$451.4 million. The Army Audit Agency interim review began in October 2005. The remaining DoD Components plan to use the Army's methodology for identification and valuation of their IUS.

In the near future, a DoD strategy for addressing IUS will be planned and a detailed Key Milestone Plan developed.

Business Enterprise Architecture and Enterprise Transition Plan

The goals and objectives of the IUS initiative support the following capabilities: performance of asset accountability, management of financial assets and liabilities, and financial reporting.

Fund Balance With Treasury Initiative

The Department's Fund Balance With Treasury (FBWT) refers to the total amount of funds on deposit with the Treasury Department for DoD, not including seized cash. The FBWT is increased when DoD receives funds. New funds come from appropriations, transfers and reimbursements from other agencies, and funds borrowed from the Treasury, the Federal Financing Bank, or other entities. The Fund Balance is decreased when funds are spent on assets, goods and services; invested in U.S. securities; and transferred to other federal agencies or the Treasury. Funding to fight the global war on terrorism increased the FBWT to \$289 billion for FY 2005, an increase of \$1.3 billion over the FY 2004 level. In FY 2005, FBWT represented 23% of total assets.

Value to Management

The Department's ability to accurately record and report funds (received, disbursed, and collected) will improve the accountability and daily reconciliation for all accounts with Treasury. Additionally, common business processes, regardless of customer, government entity, agency, program, or banking partners, will be established. Improved information allows management to make better financial decisions and maximize mission resources. This initiative targets the resolution of the Fund Balance With Treasury material weakness.

Challenges

Just as keeping a personal checkbook balanced is essential to managing one's personal finances, managing the FBWT requires that the Department keep an accurate balance of funds with Treasury. The Department's balance of funds is significantly more complex. Managing the FBWT is like managing multiple checking accounts and thousands of users in just one checkbook register.

Monies flow in from multiple sources. Appropriations must be tracked by fiscal year and by Treasury-assigned account codes, known as basic symbols. The Department tracks balances for 282 active Defense appropriations comprising hundreds of sub-accounts. The life cycle of each account spans from six to 10 years. The Department also has working capital fund accounts that receive cash for goods and services sold to other DoD entities and federal agencies. Daily and monthly reconciliations between Treasury's records and the activity-level records of each DoD Component must be completed.

Unlike civilian agencies, which rely on Treasury to disburse and collect funds on their behalf, DoD does its own disbursing and collecting. One challenge is ensuring the accuracy of data. For example, DoD must ensure that the information put into the disbursement and collection systems is the same as that put into systems for maintaining the ongoing balance for financial statement reporting. A single typographical error can cause significant anomalies and delays.

Lastly, the sheer volume of activity is a challenge. For example, in FY 2004, DoD processed 104 million payroll transactions, made 6.9 million travel reimbursements, and paid 12.6 million commercial invoices. The global nature of operations only compounds challenges.

Deficiencies and Actions to Date

Though discrepancies remain between DoD's records and Treasury's records, the Department has made significant strides in overcoming many deficiencies and risks associated with reporting FBWT.

The most common discrepancies are with Treasury Variances, Undistributed Disbursements, and Suspense Account transactions. A Treasury Variance is the difference between DoD's accounting records and the accounting records Treasury maintains for DoD. Undistributed Disbursements refers to the difference between cash on the Treasury Trial Balance, and transactions recorded in official accounting records and transactions in process. Suspense accounts hold transactions temporarily until the proper appropriation is identified.

Many of these deficiencies have been addressed. The process of disbursing and collecting money serves as a good example. Originally, over 600 sites processed the disbursement and collecting of money. By streamlining processes, that number has been consolidated into 50 sites, greatly reducing field-level databases and interfaces. This has substantially reduced input errors, which facilitates reconciliations and tightens DoD controls. In the past, reconciliations between appropriation accounts and sub-accounts were done monthly for the Air Force. Today, they are completed daily.

Deficiencies also existed with in-transit transactions. The Army, Navy, and Air Force Disbursing Offices, as well as the General Services Administration and the State Department, make many cash payments and collections for each other throughout the month. Payments are not always received, verified, or recorded in the same month as the activity. That leads to discrepancies in undistributed funds. To address this problem, DoD is implementing the Defense Cash Accountability System. Currently, Navy receives daily transactional information for immediate reconciliation with Treasury. Additionally, in the last two years, the Army and Air Force have focused significant efforts on documenting processes and controls for correcting FBWT deficiencies.

Value to Management

Managers will have better descriptions of inventory and its location, correct quantity information, and historical cost information. Reliable cost information improves managers' abilities to assign costs to specific programs and enhances planning and budgeting for operating support and maintenance. Another benefit is the ability to do comparative analyses when managing Inventory and OM&S.

Challenges

The sheer size of the Department's inventory and OM&S presents a huge challenge to effectively managing, tracking, valuing, and reporting. The Department has 7.4 million different types of items that must be tracked. For each type of item there are varying quantities. Another dimension is the complexity inherent to managing inventory and OM&S. Property must be tracked through many stages in its lifecycle and at many locations around the world. A lack of common information structures and systems that accomplish a complete range of logistical and financial functions is a major challenge to improvement.

The Department of Defense (DoD) has significant shortcomings in the ability to track an item from cradle to grave. Prior audit results showed that values assigned to inventories in the Defense Logistics Agency Standard Automated Material Management System were not always accurate, and significant portions of the inventory value were not supported by contract data. The Department acknowledges that the existing inventory valuation at most activities does not include historical costs. Additionally, DoD does not distinguish between Inventory Held for Sale and Inventory in Reserve for Future Sale, as required by SFFAS No.3

Deficiencies and Actions to Date

The Department is overcoming many deficiencies associated with reporting its Inventory and OM&S, but more remains to be done. Years of not requiring documentation that substantiates recorded costs or the retention of those documents throughout the life of that asset present enormous challenges. Much of the Department's inventory is not valued in accordance with accounting standards. Sometimes documentation exists, and sometimes it does not. The Department issued a policy change in FY 2001 to begin valuing inventory at moving-average-cost in order to comply with the accounting requirement to value inventory using historical cost.

In FY 2004, the Department chartered the Inventory and Operating Materials and Supplies Working Group to identify and develop processes and methods that lead to inventory valuation based on historical costs. This effort assesses the Department's current and future logistics and financial systems to determine if the systems adequately produce historically-based valuations. Valuation techniques are being developed where standard methods are not feasible or practical.

The Department continues to have problems reporting OM&S in accordance with Generally Accepted Accounting Principles. Significant amounts of OM&S were expensed when purchased instead of when consumed. Also, significant amounts of OM&S are in the possession of contractors and not included in the OM&S account balance. The

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Department is not in compliance with SFFAS No. 3, which requires the use of the consumption method.

Key to overcoming this shortfall is establishing robust inventory system requirements and valuation baselines that auditors will accept. The first step is retaining source documentation that supports quantities and unit costs and acquisition data files. Second, the value of DoD inventory items must be determined through the use of the moving-average cost method as required by SFFAS No. 3, "Accounting for Inventory and Related Property." Very few inventory systems comply with this requirement. Resolving this issue must be consistent with efforts to modernize inventory systems, as reflected in the Enterprise Transition Plan. The system must use historical cost or the latest acquisition cost, adjust for gains or losses, and calculate the new average cost.

Inventory and OM&S are identified as part of the 11 material weaknesses in the Department. In response, the Military Departments and Defense Agencies developed high-level Key Milestone Plans as shown in Appendix D. The Department expects to resolve these deficiencies by FY 2016.

DoD Reporting Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014				2015				2016				2017			
	Q1	Q2	Q3	Q4																																												
Army GF																																																
Army WCF																																																
Navy GF																																																
Navy WCF																																																
Air Force GF																																																
Air Force WCF																																																
USMC GF																																																
USMC Ammunition																																																
USMC WCF																																																
DLA WCF & Stockpile																																																

Inventory and Related Property Projected Favorable Audit Results

(See Appendix D for more information.)

Risks and Limitations

Any delay in implementing the modernization systems put the Department's efforts to link all transactions associated with Inventory and OM&S at risk. The ability to correctly forecast amounts and track Inventory and OM&S would be limited and could interfere with service members doing their jobs. These systems include the Logistics Modernization Program, Item Unique Identified Registry, and Radio Frequency Identification, and the transition from Military Standards, to Electronic Data Interchange or Extensible Markup Language.

Business Enterprise Architecture and Enterprise Transition Plan

The Inventory and OM&S Key Milestone Plan will be used by the Under Secretary of Defense for Acquisition, Technology, and Logistics to identify solutions. These solutions greatly improve DoD's ability to identify and value Inventory and OM&S, and directly support the materiel visibility capabilities and ETP.

Other Assets Initiative

The Department's other assets include advances, prepayments, and contract financing payments. In FY 2005, the Department reported \$25.2 billion for Other Assets, which

Value to Management

Accurate information on receivables is critical when management makes decisions related to operating capital, inventory management, and the cost of operations. Management will be better able to collect receivables if they know who is indebted to the Department. The Working Capital Fund (WCF) and the General Fund operate much like a business. Revenues to offset expenses must be collected and recorded in order to continue the funds' work. Proper recording and timely collection of receivables are essential to the WCF and General Fund's survival. If recording the receivable is delayed, used labor and materials must still be paid. If customer billing is delayed due to a delay in recording the sale, then the government getting paid is also delayed. This decreases the amount of operating capital available for use on the next project. Further, the Department must collect receivables before the funding appropriation expires. Otherwise, collected funds go to the Treasury and are no longer available for the Department to use. The Enterprise Transition Plan will help the Department properly eliminate and report receivables due from internal organizations and addresses the Intergovernmental Eliminations material weakness.

Challenges

The large volume and broad range of receivables is a major challenge to properly recording them. Public and intragovernmental receivables must be accounted for separately and properly aged. Accurate receivables transactions allow the Department to collect amounts owed in a timely manner. Accounts receivables in existing legacy systems are not always properly aged and tracking them involves many offline processes. When a receivable is not paid by the due date, further action must be taken to collect the money owed. Many current systems are incapable of identifying the information needed to easily accomplish further collection. In order to maintain an accurate balance, accounting systems must track debts and properly apply collections, and must take into consideration repayment schedules for the various types of receivables. The lack of an integrated system increases the chance for errors.

An area of concern is how to identify customers or trading partners within intragovernmental transactions using legacy systems. These are transactions between federal agencies that result in claims against another federal agency. Legacy accounting systems do not capture trading partner data at the transaction level. Therefore, DoD cannot identify its customers. This makes it very difficult to reconcile intragovernmental account receivables balances with its trading partners. This is important because the transactions between agencies of the federal government must be eliminated on the consolidated financial statements. When a transaction occurs wholly within the federal government, the transaction is recorded on both agencies' financial statements. Unless the transaction is eliminated, the amount of resources used to support the government is overstated.

Risks and Limitations

Cash is vigorously protected, but deployed conditions can offer unique risks to managing cash.

Business Enterprise Architecture and Enterprise Transition Plan

The Cash and Other Monetary Assets initiative contributes to improved financial reporting, maintaining full knowing of where assets are, and managing assets. The goals and capabilities supported by the initiative are the performance of asset accountability, managing financial assets and liabilities, and financial reporting.

Loans Receivable and Loan Guarantee Initiative

The Department's Loans Receivable and Loan Guarantee balances are directly related to the Military Housing Privatization Initiative and the Armament Retooling and Manufacturing Support Initiative. For FY 2005, the Department reported \$75.6 million for loans receivable and \$41.1 million for loan guarantees.

Congress established the Military Housing Privatization Initiative (MHPI) in 1996 as a way to help the military improve the quality of life for its service members by improving the condition of their housing. The MHPI includes both Direct Loans and Loan Guarantee Programs. It is delegated to the Military Services through the OSD. The OSD authorizes the services to enter into agreements with competitively-selected private developers to own, maintain, and operate family housing using a fifty-year lease. In FY 2005, the Department reported a value of \$75.6 million for Loans Receivable and \$28.7 million for Loan Guarantees liabilities attributable to the MHPI program.

The Armament Retooling and Manufacturing Support Initiative (ARMS) is a Loan Guarantee Program designed to encourage commercial use of the Army's inactive ammunition plants through incentives for businesses willing to locate to a government ammunition production facility. In partnership with the private sector, Army sites are being converted into multi-purpose commercial parks while still being maintained as ready defense assets. In FY 2005, the Department reported a value of \$12.4 million for Loan Guarantee liabilities attributable to the ARMS initiative.

The Department of the Army is prepared to assert to the accuracy of the balances and the processes used to maintain accuracy for the ARMS program.

The balance sheet amounts for the MPHI program are not material in relation to the Department's total assets and liabilities. The Department of Defense will evaluate when to assert to the accuracy of the balances and the processes used to maintain accuracy for the MPHI program.

Value to Management

The Department will be better able to manage and accurately value the Loans Receivable and the Loan Guarantee balances. This will increase the overall accuracy and reliability of the Department's financial information for management and the public.

Business Enterprise Architecture and Enterprise Transition Plan

The valuation of Loans Receivable and Loan Guarantees is closely aligned with the Financial Visibility Business Enterprise Priority (FV BEP). The primary goal of the FV BEP is to provide quality financial information so that management and other users can make informed decisions regarding their affected programs. The initiative targets the goals and capabilities of managing financial assets and liabilities, fund allocation, collection, disbursements and controls, and financial reporting.

BALANCE SHEET LIABILITIES INITIATIVES

For FY 2005, the Department reported \$1.9 trillion in liabilities. The liabilities are ranked by size in the chart below. The Military Retirement Fund, Federal Employees Compensation Act Liabilities, and a portion of the Other Liabilities have received favorable audit results. Initiatives are not prepared for those areas. The Medicare-Eligible Retiree Health Care Fund has received a qualified opinion and is a focus area for the Department. Environmental Liabilities is also a focus area.

Liabilities	Dollars (\$ in millions)	Percent of Total Liabilities
Military Retirement Benefits and Other Employment-Related Actuarial Liabilities	1,736,057.8	93%
Military Retirement Fund (48 %)	892,111.6	
Medicare Eligible Retiree Health Care Fund* (29%)	537,397.0	
Other Military Retiree Health Care (16%)	296,473.2	
FECA Actuarial Liabilities (<1%)	6,918.9	
Other (<1%)	3,157.1	
Environmental Liabilities*	65,027.6	3%
Other Liabilities	41,136.2	2%
Accounts Payable	30,633.4	2%
Debt	467.1	<1%
Loan Guarantee Liability	41.1	<1%
Total Liabilities	\$1,873,363.2	

* Focus Areas

Medicare-Eligible Retiree Health Care Fund Initiative

The Department provides health care for all Medicare-eligible Uniformed Services retirees, family members, and survivors. “Uniformed Services” refers to the Military Services of the Army, Navy, Air Force, Marines, Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service. Today, the Medicare-Eligible Retiree Health Care Fund (MERHCF) pays the health care costs of 1.8 million beneficiaries. The cost of health care totaled \$6.5 billion in FY 2005. The future cost of providing Medicare-eligible health care – the actuarial liability – is \$537 billion, which is 29 percent of the Department’s liabilities.

The Medicare-Eligible Retiree Health Care Fund receives income from three sources: Uniformed Services contributions, annual Treasury payments, and Fund investment interest.

Medicare-eligible beneficiaries receive health care through the TRICARE program. The TRICARE program combines *direct care*, care provided in military facilities, and *purchased care*, care obtained outside the military community. TRICARE delivers direct care through a variety of military Medical Treatment Facilities (MTFs). These 471 hospitals and clinics provide hospital patient care, doctor visits, medical testing, and pharmacy services. Regional networks of civilian health care providers offer purchased care to TRICARE participants.

Value to Management

Better medical coding and data reconciliations improve the accuracy of direct care costs and the actuarial liability of MERHCF. Improving the system implementation process will reduce claim backlogs and improve the accuracy of purchased care costs. Management can better allocate health care dollars and measure efficiency. Clean cost data and financial information result from auditable financial processes.

Challenges

The health care process is complex and the volume significant. The Department cannot capture direct care costs at the patient level. It uses multiple financial management methods to estimate, allocate, and forecast direct care costs. Additionally, there are hundreds of MTFs coding and entering data – sometimes inaccurately. In order to fix the medical coding and reconcile the data, the Department must first fix hundreds of separate processes. Some data may follow budgetary rules rather than accrual accounting rules and thus need translation. These data mismatches further complicate the effort to standardize financial processes.

Deficiencies and Actions to Date

In FY 2005, independent auditors identified four material weaknesses: 1) a lack of compliant systems that account for direct care costs; 2) a lack of certainty that financial data flows from one system to the next and accumulates accurate direct care costs; 3) a weakness in internal controls that resulted in backlogs of purchased care claims; and 4) the implementation process for the new purchased care claims system.

The steps in the MERHCF Key Milestone Plan significantly improve the Department’s ability to account for medical costs and associated liabilities. Additionally, TRICARE is refining the process for determining future payments.

To address weaknesses in medical record coding, the Department launched reporting and monitoring programs. The Department now performs regular audits, and the Services’ Surgeons General must certify the reports provided to TRICARE.

The Department is currently developing reconciliations. Reconciliations enable an auditor to track Service-specific transactions from source documents to budget and financial reports. TRICARE can also validate payments. TRICARE plans to monitor the completeness of reconciliations using metrics.

DoD Reporting Entity	2006				2007				2008				2009				2010			
	Q1	Q2	Q3	Q4																
OUSD(P&R) Health Affairs																				

MERHCF Projected Favorable Audit Results

(See Appendix H for more information.)

Risks and Limitations

The inability of the Department to accurately code health care records is a major limitation. It hampers workload projections and may affect projected costs. TRICARE and the Services must work as a team to improve coding.

Business Enterprise Architecture and Enterprise Transition Plan

The Enterprise Transition Plan identifies Personnel Visibility as a Business Enterprise Priority. Personnel Visibility includes managing the military patient health care benefit as a business capability. The FIAR Plan focuses on improving medical coding to improve cost management. The goals and capabilities supported by the initiative are managing military health services, managing financial assets and liabilities, and financial reporting.

Other Military Retiree Health Care Initiative

The Department also provides health care for beneficiaries who are *not* Medicare-eligible. As of September 30, 2005, the future cost of providing health care to this non-Medicare-eligible group – the actuarial liability – is \$297 billion.

As with Medicare-eligible retirees, the Defense Health Program provides direct and purchased health care services through the TRICARE program. Medical Treatment Facilities that provide direct care include 471 hospitals and clinics in the United States and overseas. Those facilities provide care for approximately 9.2 million beneficiaries, including all retirees, their families, and survivors. The MTFs also serve as a training ground for military medical personnel. Regional networks of civilian health care providers offer purchased care to TRICARE participants.

Annual Congressional appropriations provide funding for direct care and purchased care services for all beneficiaries that are not Medicare-eligible.

Value to Management

In addition to costs related to Medicare-eligible beneficiaries, the Department must accurately capture current health care costs for its other beneficiaries. Improved direct care coding and data reconciliation provide more accurate information to project this actuarial liability.

Accurate costs improve the Department's ability to forecast funding requirements and measure efficiency. Management has more information when deciding where to allocate health care dollars. Clean transparent cost data and financial information result from auditable financial processes.

Challenges

The challenges of Other Retiree Health Care Fund are similar to the challenges for MERHCF. The Department delivers direct care using a complex process with significant volumes. The Department generally cannot track direct care costs at the patient level. The Department uses a variety of financial processes to estimate, allocate, and forecast direct care costs. However, there are hundreds of MTFs coding and inputting data into systems. Thus, to fix the medical coding and reconcile the data, the Department has to fix hundreds of separate processes. Additionally, some financial data needs translation because the data follows budgetary rules rather than accrual accounting rules. These additional steps further complicate the effort to standardize and improve financial processes.

Deficiencies and Actions to Date

The Department identified deficiencies and corrective actions for the TRICARE and Service Medical Activities (SMA) financial operations. SMA represents the Army, Navy, and Air Force Surgeons General that manage the MTF direct care operations. Consistent with other agencies in the Department, TRICARE and SMA have issues with reconciling, recording, and validating the following Balance Sheet line items: FBWT, Accounts Receivable, Internal Use Software, Accounts Payable, and Property, Plant, and Equipment. Issues also exist for line items on the Statement of Net Cost, the Statement of Financing and the Statement of Budgetary Resources. In short, Health Care's problems mirror those for the Department itself. In most cases, TRICARE and SMA are in the discovery phase of identifying deficiencies, mapping financial processes, and developing corrective action plans.

Corrective actions and critical milestones identified in the "TRICARE Management Activity's Key Milestone Plan" and the "Service Medical Activities Key Milestone Plan" significantly improve the Department's ability to accurately and timely capture medical costs and associated actuarial liabilities.

Direct care weaknesses include a lack of a compliant system that accounts for direct care costs and a lack of sufficient management and reconciliation processes for direct care costs. The purchased care weaknesses are with internal controls that resulted in the backlog of claims and the implementation process for the new purchased care claims system.

*Financial Improvement and Audit Readiness Plan
December 2005*

DoD Reporting Entity	2006				2007				2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
OUSD(P&R) Health Affairs TMA	[REDACTED]																			
USUHS	[REDACTED]																			

TRICARE Management Activity Projected Favorable Audit Results

DoD Reporting Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Army	[REDACTED]																																							
Navy	[REDACTED]																																							
Air Force	[REDACTED]																																							

Service Medical Activity Projected Favorable Audit Results

(See Appendix I for more information.)

Risks and Limitations

The risks identified with the Key Milestone Plans include the identification of the deficiencies and corrective actions specific to the financial operations of TRICARE and SMA. Both entities are still in the discovery phase and the discovery of significant deficiencies may delay the completion of their Key Milestone Plans.

Additional risks identified with the Key Milestone Plans include the Department's inability to accurately code health care records. This deficiency potentially hampers projections of future health care workload and may affect the future health care actuarial liability.

Business Enterprise Architecture and Enterprise Transition Plan

In the Enterprise Transition Plan, the Department identifies Personnel Visibility as one of the Department's Business Enterprise Priorities. Personnel Visibility includes the management and execution of the military patient health care benefit. The FIAR Plan's focus on medical coding improves management knowledge of health care costs for all beneficiaries. If the Department codes the patient visits more accurately, the Department has better documentation of health care costs. The Personnel Visibility portion of the Business Enterprise Architecture focuses on business capabilities, with one being to manage military health services. The goals and capabilities supported by the initiative are managing military health services, managing financial assets and liabilities, and financial reporting.

Environmental Liabilities Initiative

Environmental Liabilities is the Balance Sheet line item that captures future outlays for environmental closure and disposal costs from past and current DoD activities. To ensure all environmental liabilities are identified, the Department must reconcile all environmental sites with asset records. Failure to accurately record all environmental liabilities causes an understatement of the Department's financial position. Each Component tracks and reports environmental closure and disposal liability costs, including costs associated with the cleanup of legacy contamination sites. In FY 2005,

Environmental Liabilities amounted to \$65 billion, or 3 percent of the Department's liabilities.

Value to Management

A more complete and accurate account of environmental liabilities makes future resource estimates more reliable and helps the Department to better forecast environmental costs and liabilities. Management will be assured that reported environmental liabilities are reliable for decision making.

Challenges

Regulations governing environmental activities are numerous and complicated. Failure to comply with federal, state, and local mandates may result in fines and jeopardizes DoD's ability to conduct its mission. Program and budget estimates must be accurate. Each Component estimates costs, resources, and timing for meeting environmental regulatory requirements in performance of its mission. Disposal of weapon systems is also governed by an array of rules and regulations and poses similar challenges when estimating program and budget requirement.

An audit trail must be established to document budget estimates, program management, and financial statement reporting. Inventories of sites and other environmental liabilities must reconcile with PP&E asset records. An audit trail and reconciliation are critical to persuading independent parties, such as auditors, that estimates are credible.

Deficiencies and Actions to Date

The Department issued guidance that addresses liabilities not included under the Defense Environmental Restoration Program (DERP). Past processes did not have effective controls in place for adequate audit trails. Environmental Liabilities is not yet deemed reliable or in compliance with established accounting standards. Additionally, an inventory of sites and other environmental liabilities needs to be completed and reconciled with PP&E asset records.

The Department has published functional guidance for the DERP and is addressing cleanup at the remaining 9,000 of 31,000 DERP sites.

capital improvements to the Washington Aqueduct, Arlington Account, the city of Falls Church, Virginia, and the District of Columbia. For FY 2005, the Department reported \$467.1 million of debt. The balance sheet amounts for Debt are not material in relation to the Department's total liabilities.

The Army Corps of Engineers asserted to the accuracy of the balances and the processes used to maintain accuracy and provided the assertion package in December 2005 to the Executive Steering Committee for review and approval. The Department will evaluate when to assert to the accuracy of the balances and the processes used to maintain accuracy for the MHPI program.

Business Enterprise Architecture and Enterprise Transition Plan

The valuation of Debt is closely aligned with the Financial Visibility Business Enterprise Priority (FV BEP). The primary goal of the FV BEP is to provide timely, reliable financial information so that management and other users can make informed decisions regarding affected programs. The initiative targets the goals and capabilities of managing financial assets and liabilities, fund allocation, collection, disbursements and controls, and financial reporting.

Value to Management

The Department will be better able to manage and accurately value Debt. This will increase the overall accuracy and reliability of the Department's financial information for management and the public.

OTHER FINANCIAL STATEMENTS INITIATIVES

Besides the Balance Sheet, there are five other financial statements. These are the Statement of Net Cost, the Statement of Net Position, the Statement of Budgetary Resources, the Statement of Financing, and the Statement of Custodial Activity. Most of the business operations of the Department are addressed through the detailed initiatives for the Balance Sheet. This section of the FIAR Plan addresses the Department's strategy for the remaining statements.

Statement of Net Cost Initiative

The main purpose of the Statement of Net Cost is to provide an understanding of the net costs of organizations and programs. Another important purpose for the statement is to provide gross and net cost information related to the amounts of outputs and outcomes for programs and/or organizations. For FY 2005, the Department reported \$634.9 billion of net costs, which are the total costs of the Department minus any offsetting revenue.

The Statement of Net Cost should present the amounts paid, the consumption of other assets, and the incurrence of liabilities because of rendering services, delivering or producing goods, or carrying out other operating activities. The user of the statement should be able to determine the costs of specific programs and activities and the composition of, and changes in, these costs.

Value to Management

An accurate statement of net cost that meets current federal accounting requirements allows the Department to view accurate cost data for its programs and organizations. Organizational and program management costs are necessary costs of operating an organization and programs. The ability to see program costs is a tool for managing the cost of programs and organizations and measuring performance. The Standard Financial Information Structure (SFIS) initiative in the Enterprise Transition Plan is integral to achieving the solutions for the Department's Statement of Net Cost material weakness.

Challenges, Deficiencies, and Actions to Date

Current financial processes and systems do not capture and report accumulated costs by major programs. The Department's Statement of Net Cost is not presented by programs that align with major goals and outputs described in strategic and performance plans. Any improvements to the Statement of Net Cost will be difficult without new systems. Due to the size of the Department, it is a challenge to come to agreement on the framework for the Statement of Net Cost. For example, determining the criteria for what major programs to include in the statement is difficult.

Without systems to capture the cost and a uniform policy and structure for collecting costs, the Department does not yet have fully accurate and reliable information on costs. Work has already started on resolving this deficiency. The SFIS initiative established a common information structure that is being implemented across the Department. The next phase of that initiative focuses on standardizing the Department's cost structure. Additionally, the core business systems being developed and implemented by the Military Departments and DLA offer the necessary functionality to collect and aggregate costs accurately and quickly.

The SFIS short-term goals for the period ending March 2006 include a top-down approach starting with the framework for the Statement of Net Cost. Once the Department comes to agreement on the framework, current policy must be updated.

Risks and Limitations

The solution for improving the Statement of Net Cost is system dependent. There is a risk that systems implementation schedules will slip and that the systems will not function as planned.

Statement of Budgetary Resources (Including Personnel Obligations) Initiative

The Statement of Budgetary Resources identifies the source and status of funding and outlays of that funding. It answers questions about what funding is available to achieve the mission, from what source, how much has been spent, and how much money remains.

Value to Management

An accurate Statement of Budgetary Resources enables management to understand the status of funds and whether those funds are from appropriations or offsetting collections. The reliability of knowing how much is obligated and paid, and the timeliness of those obligations and expenditures, helps ensure budgeted resources are used properly.

Challenges, Deficiencies, and Actions to Date

The most significant challenge today is the allocation, distribution, and control of Department funds. The other challenge is the allocation and accountability of funds to lower budget-to-actual variances and therefore maximize funding.

In FY 2004 and FY 2005, the Department received favorable audit results for the amounts reported for Appropriations Received on this statement. These audit results give the Department confidence that the source of funding related to appropriations is correctly reported. Current improvements on the Statement of Budgetary Resources center on DoD funds distribution systems. The Enterprise initiative of the Program Budget Framework addresses issues related to resolving allocation, distribution, and controls over the accountability and usage of funds. The Department also realizes the need to continue strengthening controls over obligations.

Most of the improvements to obligations are addressed through the Real Property, Military Equipment, and Inventory and Related Property initiatives. These initiatives directly affect the balance sheet.

Another major business process important to improving obligations is obligations related to personnel. The initiative for personnel obligations follows:

Personnel Obligations Initiative

The Department of Defense spends over \$100 billion annually on expenses related to personnel pay, business travel, and relocation of personnel. Before any employee is hired, sufficient need and funding must exist.

Value to Management

Improved accuracy and timeliness of posting personnel obligations enables management to track funds and ensure enough funds are available for payroll expenses through each fiscal year. An additional benefit is limiting funding loss due to excessive remaining unobligated and unspent balances in the military pay appropriations.

Challenges

Personnel, payroll, and travel systems do not directly communicate with each other. These disconnections lead to personnel being paid without a funding code, individuals traveling without authorization, and obligations not posted timely. Another challenge is the past method of centrally managing the Military Payroll appropriations. The pay appropriations are in what is called an “open” status, which means it can be widely used and lacks lower-level accountability. In fact, the “open” status fosters inappropriate charges being made to the appropriation and inhibits the performance of meaningfully reconciliations.

Deficiencies and Actions to Date

Numerous deficiencies were consistently found across the Components. Army, Navy, and Air Force reported that due to the nature of the payroll system, payroll payments are paid prior to the posting of obligations. They also recognize the deficiency in having the military pay appropriations being an “open” account and are moving to specific-site tiered

accountability funding. The decentralize sub-allocation process prevents over obligating funds at the lowest level.

Dual compensation is another deficiency. An individual can be a civilian employee in DoD and also a Reservist, in the National Guard, or called back to Active duty. Because the payroll systems and offices for each of these organizations are separate, overpayment of payroll funds can occur. To assist in resolving this issue, the Department is developing an automated process that reconciles the status of individuals. (*See Appendix M for more information.*)

Risks and Limitations

Failure to improve payroll business processes results in the loss of funding due to unobligated and unexpended balances. The Department's efforts to link all transactions associated with personnel expenses could be placed at risk if there is a delay in implementing the current financial improvement initiatives. The challenge of developing better processes for reconciling payroll records between the many types of employment within the Department is another risk. If the systems production schedules and funding should slip for the Department-wide solutions (Defense Integrated Military Human Resource System, the Defense Travel System, and Forward Compatible Pay), DoD would rely on inadequate legacy systems.

The Department's Personnel Pay efforts require the cooperative effort of multiple organizations and the coordination of numerous projects. Each Component must improve their ability to obligate, accrue, and pay personnel expenses. The Defense Finance and Accounting Service must improve interfaces between personnel, payroll, travel, retirement, and accounting systems in order to provide accurate expenditure information. As the Components, DFAS, and OUSD(P&R) are working together to resolve deficiencies and material weaknesses in Personnel Pay, the risk of excessive unexpended appropriations, dual compensation, and incorrect appropriation charges is eliminated.

Business Enterprise Architecture and Enterprise Transition Plan

The Business Enterprise Architecture contains the rules, requirements, and activities for producing accurate and supportable personnel obligations, accruals, and disbursements and is included in the Personnel Visibility. The Personnel and Readiness Office established a dedicated program office to identify and develop future solutions for the Department's deficiencies and weaknesses. The goals and capabilities supported by this initiative are management of personnel pay, benefits, travel, assignment, placement, transfer, retirement, and separation. More capabilities are the management of general ledger, funds allocation, collection, disbursement, and control. The remaining capabilities are managing financial assets and liabilities, and financial reporting.

Statement of Financing Initiative

The Statement of Financing reconciles and explains the relationship between budgetary amounts reported on the Statement of Budgetary Resources (obligation based amounts) to financial amounts reported on the Statement of Net Cost (accrual based amounts). Specifically, the Statements of Financing helps differentiate obligations that do not have

current year costs from current year costs, such as depreciation, that do not require funding.

Value to Management

The Statement of Financing enables management to see how current year costs are financed with current year funding. With accurate information, management can estimate what costs have been funded and identify future funding requirements. This initiative targets the resolution of the Statement of Financing material weakness.

Challenges, Deficiencies, and Actions to Date

The most daunting challenges are not having systems capable of accurately collecting the necessary information and not having a structure in place to collect standard elements of cost across the Department.

The lack of systems and a common cost structure are the primary deficiencies. Ongoing improvements described in the Statement of Net Cost and Statement of Budgetary resources help resolve these deficiencies. The primary solutions are the core financial management systems and the SFIS Initiative outlined in the Enterprise Transition Plan.

Risks and Limitations

The solution for improvement is systems dependent. There is a risk that systems implementation schedules could slip, and the systems will not function as planned.

Statement of Custodial Activity Initiative

The Statement of Custodial Activity reports current year collections and deposits for the Development Fund for Iraq (DFI), Seized Iraqi Cash, and Foreign Military Sales (FMS) customers. For FY 2005, the Department reported a total of \$10.6 billion in collections and \$11.1 billion in disbursements.

Value to Management

Confidence in the amounts collected and disbursed is important to faithfully executing stewardship responsibilities in managing the cash, purchases, and disbursements for these three areas.

Challenges

Foreign Military Sales transactions occur in almost every part of the Department's business. As a result, challenges affecting other financial statement line items also apply to the FMS program. Correctly reporting the FMS program is further complicated by the size of the program.

Deficiencies and Actions to Date

The Accounting and Finance Policy and Analysis Directorate, OUSD(C) is evaluating current guidance affecting how information should be reported on this statement. A plan for identifying the most significant deficiencies and identifying the correct solutions will be prepared during FY 2006.

U.S. MARINE CORPS INITIATIVE

The U.S. Marine Corps trains and equips forces in support of the President's National Security Strategy. The Commandant must balance scarce resources. Within the context of the Navy Financial Improvement Plan (FIP), the Marine Corps has developed a strategic FIP that integrates various improvement initiatives. The FIP includes defined objectives, performance measures, and improved manageability of resources. It addresses business processes in five key areas: Information Systems, Management Control, Policies and Procedures, Organization and Infrastructure, and People. The FIP enables the Marine Corps to assign responsibility and accountability for improving financial operations.

Value to Management

Sustainable business processes for reporting accurate, timely, and relevant financial information will be established. The Marine Corps will reduce lost opportunities for funding and improve resource decisions.

Challenges

The Marine Corps faces a number of challenges in reaching its goal of auditable financial statements.

System Data Integration. A lack of cross-functional collaboration during the design and requirements phases of software development resulted in systems that are not integrated. The fact that external offices often own business systems essential to Marine Corps accounting systems further complicates improvement efforts. An abundance of financial information resides in these systems. Technology capable of interfacing on a real-time or daily basis can easily harvest this information. New business rules for new system development under the BMMP will ensure data integration.

Process Owner Commitment. Leadership in areas outside of financial management must be committed to financial improvement. Effective communications and a strong management control program ensure sound processes, documentation, and data integrity. Establishing a strong management control program with effective assessments is critical to success.

Validation of Program, Budget, and Execution. Disparate systems for programming, budgeting, and accounting make it impossible to integrate the Programming-Planning-Budgeting-Execution System cycle. Data elements that link execution to approved programs must be simplified and standardized. Information must be verified and documented. Data from the disparate programming, budgeting, and accounting systems must also be integrated.

Feeder System Auditable Compliance. The Marine Corps must rely on the managers of external systems to conduct formal compliance reviews, take corrective actions, and ensure that accounting systems contain all needed financial information. System certifications may be required in audit assertion packages.

Timely and Consistent Guidance. Data collection, reporting guidance, and business rules must be timely and consistent if the Marine Corps is to meet the proposed auditable year of 2007. Major business rules or guidance changes may result in delays.

Success
The Marine Corps reduced the number of financial processes currently being performed at field activities from 700 to 59.

Deficiencies and Actions to Date

Department-wide financial management and business process deficiencies affect the Marine Corps' ability to collect and report timely, reliable, and accurate information. The Marine Corps has addressed this problem through Joint Financial Management Improvement Plan testing on the General Fund Accounting system used by the Marine Corps and DFAS. Results of the test were published in July 2005. Using the final report, the Marine Corps and DFAS are working to correct the material deficiencies identified. Fiscal codes are being standardized and related to performance metrics. Better fiscal codes enable the Marine Corps to link cost with performance and reconcile budgetary obligations with established programs.

Use of the WAWF for miscellaneous payments addresses problems resulting from the inability to match disbursements to obligations. This accounts for approximately 42 percent of the disbursements made and a majority of the problem disbursements. Overdue accounts payable will be significantly reduced and discount opportunities taken. Further, the Marine Corps is aggressively pursuing the implementation of Defense Travel System, WEB orders for Military Permanent Change of Station, and enhancements to its front-end requirements system (PR Builder) to ensure financial information is consistent throughout the business processes.

The accounting practice of expensing goods and services at the time of purchase results in overstating the costs of operations. The ability to expense materials at the point of consumption is being accomplished through table changes and changes to the accounting system.

Business Enterprise Architecture and Enterprise Transition Plan

The Marine Corps is implementing DoD Business Enterprise systems. The Transition Plan allows the Marine Corps to migrate existing financial management systems to solutions in the Future Systems Environment. It establishes a functional information environment through the Marine Corps Enterprise Information Technology Services. The Transition Plan also achieves integrated financial and business operations and establishes a cohesive Enterprise Architecture through BEA. Financial management information capabilities are integrated through the Global Information Grid. The goals and capabilities supported by the initiative are management of financial assets and liabilities and financial reporting.

Risks and Limitations

Command-level leadership must secure funding for minor system changes, standardization of business processes, and cleansing of data. The lack of funding limits resources including access to reporting technology. Decentralized locations, with respect to time zones, date lines and other issues, present challenges in scheduling meetings and conferences.

**Financial Improvement and Audit Readiness Plan
December 2005**

DoD Reporting Entity	2006				2007				2008				2009				2010			
	Q1	Q2	Q3	Q4																
General PP&E (Military Equipment)																				
General PP&E (Personal Property)																				
General PP&E (Internal Use Software)																				
General PP&E (Real Property)																				
Fund Balance with Treasury (FBWT) GF																				
Inventory and Related Property (OM&S) GF																				
Inventory and Related Property (Ammunition)																				
Inventory and Related Property (OM&S) WCF																				
Accounts Receivable																				
Cash & Other Monetary Assets																				
Environmental Liabilities (Non-DERP)																				
Other Liabilities Intragovernmental GF																				
Other Liabilities Public GF																				
Accounts Payable																				
Obligations Incurred (Military Pay)																				
Obligations Incurred (Civilian Pay)																				
Obligations Incurred (Procurement, End Items)																				
Obligations Incurred (Procurement, Other)																				
Obligations Incurred (Miscellaneous)																				

U.S. Marine Corps Projected Favorable Audit Results

(See Appendix N for more information.)

U.S. ARMY CORPS OF ENGINEERS, CIVIL WORKS INITIATIVE

The U.S. Army Corps of Engineers (USACE), Civil Works is accountable for its civil-funded program and budget through the Assistant Secretary of the Army. The USACE financial strategy provides leadership with real-time, reliable financial information. In addition, USACE continues to pursue a favorable audit opinion on Civil Works financial statements. Achieving a favorable audit opinion in FY 2006 on all of its financial statements is USACE's goal.

Value to Management

The USACE is recognized as a financial management leader in DoD and continues to upgrade its financial management systems and tools. For example, USACE designed and built a proprietary financial tool, known as the Corps of Engineers Financial Management System (CEFMS), which delivers a broad range of functionality. The system integrates financial management with internal program and project management processes and automates links to the Department of the Army, DoD, and the Office of Management and Budget systems.

In addition to implementing CEFMS, USACE is working to comply with the requirements of the Chief Financial Officers Act. With a fully integrated CEFMS and sound business practices, USACE is positioning itself to be one of the first Army Components to obtain an

unqualified audit opinion. If USACE realizes its goal, it would establish benchmarks from which other DoD entities could learn and work toward.

Challenges

USACE worked with the OIG to identify its greatest financial reporting challenges. The major unresolved issue is in Property, Plant, and Equipment (PP&E). Documentation to support recorded cost and acquisition dates for older PP&E does not exist. To resolve this issue, the OIG and USACE signed a Memorandum of Agreement in June 2004 that provided alternative methods for USACE to validate cost and acquisition dates for its older assets. The USACE may provide attestation letters and historical systems reports to support the recorded costs and acquisition dates of its older PP&E. This agreement is of great importance, since documentation often does not exist. Much of the USACE real property was constructed before audited financial statements were required and the retention of documentation to support recorded costs and acquisition dates was needed. This agreement can guide other DoD entities as they struggle with this same problem.

Another challenge is complying with internal control requirements for systems security. Since CEFMS is a paperless system, it is essential that the documents, which are produced and electronically signed within the system, be accepted as evidential matter. Successful completion of a system security audit is essential.

Deficiencies and Actions to Date

USACE is completing corrective actions identified during the FY 2002 and FY 2004 OIG audit of its Balance Sheet and expects to assert audit readiness in 2006. Much of the work is completed. For example, the OIG declared in its FY 2003 review that Accounts Receivable was audit ready. The Construction In Progress (CIP) account has been scrubbed from a \$7.3 billion in FY 2002 to \$2.6 billion in FY 2005. The decrease resulted when expense items incorrectly posted to the asset account were correctly posted.

To achieve its goal of audit readiness in FY 2006, USACE developed an FY 2005 "Get Well Plan." The plan establishes CFO Regional Leaders charged with overseeing each District's progress toward completion of its corrective actions. The CFO Regional Leaders will then validate the District's audit readiness. When all Districts complete validation, USACE will assert audit readiness and prepare an assertion package for approval.

The U.S. Army Audit Agency (USAAA) completed its validation of the other four non-Balance Sheet statements. Although USAAA identified a relatively small number of issues, its overall assessment was that USACE was ready for audit. Therefore, USACE anticipates these statements will be ready for audit in FY 2006.

Risks and Limitations

Potential risks include global war on terrorism requirements. There is a constant reprioritizing of duties to ensure all national defense needs are met. For example, the USACE Gulf Region Division includes about 450 civilians in Iraq helping the Army meet its reconstruction mission. This civilian workforce is primarily from Districts located in the United States that support the Civil Works mission.

STRATEGY FOR PLANNING IMPROVEMENTS IN THE DEFENSE AGENCIES AND FUNDS

A phased strategy addresses the financial improvement needs of the various DoD organizations. The FIAR Plan includes FIPs from the Army, Navy, Air Force, Defense Logistics Agency, Defense Health Programs, Medicare-Eligible Retiree Health Care Fund, U.S. Marine Corps, and U.S. Army Corps of Engineers, Civil Works. Other Defense organizations and funds are included as part of the planning process. The remaining organizations fall into three primary categories: Intelligence Agencies; Other Defense Organizations required to report stand-alone financial statements; and Other Defense Organizations and funds not required to prepare stand-alone financial statements.

Intelligence Agencies

Intelligence agencies are subject to distinct Congressional requirements that impact their improvement efforts. Due to these requirements and the classified nature of their issues, intelligence agencies are not included in this plan.

Other Defense Organizations Entities Required to Prepare Stand-Alone Financial Statements

This group of organizations is required to prepare stand-alone subsidiary financial statements that are consolidated into the DoD Agency-Wide financial statements. Four of the entities in this group have already received unqualified audit opinions: the Defense Contract Audit Agency, the Defense Commissary Agency, the Defense Threat Reduction Agency, and the Defense Finance and Accounting Service. The Defense Logistics Agency, Other Military Retiree Health Care (TRICARE Management Activity and Service Medical Activities), and the U.S. Marine Corps are addressed in this submission of the FIAR Plan. The remaining entities, listed below, will be included in the planning processes.

- Defense Advanced Research Projects Agency
- Defense Information Systems Agency
- Missile Defense Agency
- Special Operations Command
- Chemical Biological Defense Program
- Defense Security Service

Many of these entities have started planning. Below is an overview of the schedule for building these organizations' plans into the DoD-wide FIAR Plan.

***Key Milestones for Planning the Way Forward for
Other Defense Organizations Required to Prepare Stand-Alone Financial Statements***

Planning Tasks	Time Period
OUSD(C) FIAR Directorate hosts next steps FIAR plan workshop	January 2006
Entities develop Key Milestone Plans (KMPs) for four focus areas	February-March 2006
Entities develop KMPs for non-focus areas	April-May 2006
Entities complete and submit inputs and revisions for KMPs, FIPs, and the FIAR Plan	June-July 2006
Entities inputs are coordinated and finalized	September 2006

***Other Defense Organizations and Funds Not Required to Prepare Stand-alone
Financial Statements***

In this group are many organizations and funds that are *not* required to prepare stand-alone financial statements, but the information from these organizations and funds is included in the DoD-wide financial statements. For example, this group includes the DoD Education Activity and the Pentagon Reservation Maintenance Revolving Fund. The Department's approach is to include these entities in a later update of the FIAR Plan. The steps for additional planning are included in the table below.

***Key Milestones for Planning the Way Forward for
Other Defense Organizations and Funds Not Required
to Prepare Stand-Alone Financial Statements***

Planning Tasks	Time Period
Identify entities to include in FIAR Plan that make up these entities, Other Defense Organizations (ODOs)	January 2006
Define line item materiality	January 2006
Identify entities, ODOs line items that meet line item definition of materiality	February 2006
Coordinate line item materiality definition with the OIG	February 2006
Develop approach to include these entities within the FIAR Plan	March 2006
Coordinate approach with the OIG and OSD Principal Staff Assistants (PSAs) responsible for these entities	April 2006
Prepare, coordinate, and issue USD(C) memorandum to PSAs outlining KMP and FIAR Plan requirements	May 2006
OUSD(C) FIAR Directorate hosts workshops for these entities material line items	June 2006
PSAs complete and submit inputs and revisions for KMPs, FIPs, and the FIAR Plan	July 2006
PSA's inputs are coordinated and finalized	September 2006

STRATEGY FOR CONDUCTING SYSTEMS AUDITS

The Financial Management and Business Systems Audit Strategy aims to achieve efficiencies in conducting audits. Normally, systems are audited as part of a financial statement audit. However, where systems support multiple entities, it may be more efficient to accomplish one audit that all entities can use. The Department is taking a three-level approach to systems audits addressing Enterprise, DFAS-owned, and Entity-owned level systems.

Information supporting financial statement line items is processed and retained in various systems. Depending on the adequacy of the system and how it is used, the system can either preserve or possibly corrupt the information. Systems and controls must be audited to ensure the validity and preserve the integrity of the information they contain.

The Department is cautious about auditing systems and is exercising care to avoid auditing systems that may soon be replaced through the Enterprise Transition Plan or the Components' Transition Plans. The Department is reviewing various sources, including the Business Management Modernization Program, Enterprise Transition Plan, and Program Baseline to identify potential systems for audit.

DoD-Owned Enterprise Systems

DoD-Owned Enterprise Systems provide a DoD-wide solution for a set of business capabilities and are overseen by OSD. The Department identified an initial list of systems for audit from various sources including DoD Information Technology Portfolio Repository. The Department prioritizes and schedules systems for audit based on customer needs.

Defense Finance and Accounting Service-Owned Systems

Using the business rules criteria and additional planning established by the Department's Review and Prioritization Committee, DFAS analyzed its systems and identified an initial list to be audited. Systems were prioritized by customer needs and by those that can be used by multiple customers.

Entity-Owned Systems

Entity-owned systems are unique to a DoD entity and support specific material financial statement line items. The Components are identifying whether their systems should be scheduled for an individual audit or audited as part of a financial statement audit.

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Chapter 3: Future Planning Actions and Frequently Asked Questions



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FUTURE PLANNING ACTIONS AND FREQUENTLY ASKED QUESTIONS

The FIAR Plan process brought together multiple DoD communities and established a network of partnerships, working groups, and project management tools. Much remains to be done.

FUTURE PLANNING ACTIONS

Past planning efforts guide all future planning. Identifying challenges and matching solutions is an ongoing and systematic process. Planning steps to be taken over the coming months include the following:

Six Month Planning Activities

Develop DoD strategies for:

- Personal Property
- Internal Use Software
- Statement of Custodial Activity
- Entities Required to Prepare Financial Statements by DoD
- Other Defense Entities
- Systems Audit Strategy for Systems Owned by Defense Finance and Accounting Service

Twelve Month Planning Activities

Develop key milestone plans for

- Personal Property
- Internal Use Software
- Entities Required to Prepare Financial Statements by DoD
- Other Defense Entities

FREQUENTLY ASKED QUESTIONS

1. Does the FIAR Plan focus exclusively on audit?

No. The FIAR Plan is about improving the Department's financial management controls and processes so that reliable information is available to support management in making decisions. An independent audit is one measure of reliability and serves as one measure of progress.

2. Is the FIAR Plan integrated with other Defense business transformation efforts?

Yes. The FIAR Plan integrates with Defense-wide business transformation in three ways. First, the FIAR Plan uses the systems solutions managed through Enterprise Transition Plan. Second, the Business Enterprise Architecture establishes a uniform framework and facilitates continuity in systems and process improvements. Third, the FIAR Plan goals align with business transformation goals and specifically aim to improve the same set of capabilities.

3. How does the FIAR Plan relate to the DoD Enterprise Transition Plan?

The Enterprise Transition Plan addresses transformation, meaning it addresses the creation of something that today does not exist or it massively overhauls an existing process or system. The scope of that transformation is at the DoD-wide level and crosses all lines of business. The FIAR Plan addresses financial improvement and the processes that affect financial management. Where transformation efforts solve a problem identified in the FIAR Plan, the FIAR Plan uses the Enterprise Transition Plan solutions. However, some problems do not require transformation. For example, for environmental liabilities, the hazardous sites need to be identified, estimates for the cost to clean up prepared, and the total of those estimates reported. This is work that must be done in order to improve financial management of environmental liabilities, but this work does not require transforming systems DoD-wide.

4. Why is DoD using an incremental approach?

The size of DoD, its many organizations, and the many types of business being conducted together warrant an incremental approach. Additionally, the incremental approach makes the process manageable.

5. How will DoD ensure accountability and progress?

The Acting Deputy Secretary of Defense has made the FIAR Plan a clear priority for the Department and will be briefed quarterly on progress. Through the FIAR Planning Tool, the Office of the Secretary of Defense can track the status of planning actions and monitor each organization's progress. Being able to see and measure progress is one of the major differences between this plan and previous attempts to improve financial management. Additionally, the Department's progress is being carefully monitored by Office of Management and Budget as part of the scorecard for the President's Management Agenda.

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Appendix A

Military Equipment



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**Military Equipment
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Military Equipment Key Milestones	▶																								
OUSD (C)	▶																								
Review Baseline Assertion Package for Army					◆				3/31																
Review Baseline Assertion Package for Navy					◆				3/31																
Review Baseline Assertion Package for Air Force					◆				3/31																
Review Baseline Assertion Package for USMC					◆				3/31																
Review Assertion Package for Army -- Fully FASAB Compliant																					◆				
Review Assertion Package for Navy -- Fully FASAB Compliant													◆				3/31								
Review Assertion Package for Air Force -- Fully FASAB Compliant																					◆				
Review Assertion Package for USMC -- Fully FASAB Compliant													◆				3/31								
OUSD (AT&L)	▶																								
Delivery of training for updating the baseline valuation					◆				3/31																
Delivery of management assertion training					◆				3/31																
Test accounting systems data (sampling) and internal controls (focus reviews) (4/30/2006)													◆				6/30								
Collaboratively re-engineer process to collect information at the contract level. Publish policy to support the re-engineered processes and procedures.													◆				6/30								

**Military Equipment
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011					
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
Perform soft close. CAMS-ME Increment 1, (Release 1.1). Initial Operating Capability - testing and data load. Complete interface to Business Enterprise Information Services (BEIS) for expenditure data. Fixed Asset (FA) data interchange complete.			◆	6/30																						
Delivery of training for process changes for contract-based valuations training			◆	6/30																						
CAMS-ME Increment 2 Milestone B (8/31/2006)				◆	9/30																					
Fiscal Year 2006 year-end close using baseline valuation methodologies. (Quarterly reporting of baseline valuation using baseline methodology until Increment 2 deployed.) CAMS-ME Increment 1 full operational capability (FOC)				◆	9/30																					
Submit Baseline Methodology Assertion Package to Services. (Yearly until automated transaction level data is available) (10/15/2006)						◆	12/31																			
Unique Identification (UID) registry capable of supporting CAMS-ME Increment 2 and wide area workflow.							◆	3/31																		
Contract for Independent Public Accountant (IPA) -- Baseline Methodology							◆	3/31																		
Assess -- Baseline Methodology								◆	6/30																	
Audit -- Baseline Methodology									◆	9/30																
CAMS-ME Increment 2 Milestone C and IOC									◆	9/30																
Delivery of "Train the Trainer" to address baseline valuation methodology, the assertion process, contract based valuations, and CAMS-ME.									◆	9/30																
Quarterly reporting of baseline valuation, total responsibility shifts to each Service and Other Defense Agencies - FOC Increment 2										◆	12/31															
Army	▶																									
Program Managers provide OUSD(AT&L) updated ME asset delivery and disposal information from the date the initial valuation was performed through 9/30/05			◆	3/31																						
Quarterly update of asset accountability data for initial valuation, as applicable. (This is a quarterly reoccurring process until UID registry is operational)			◆	6/30																						

**Military Equipment
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Independent limited scope validation by Army Audit Agency (AAA) of Baseline				◆	9/30																				
Submit the ME modified Assertion Package for Baseline (Financial and Quantity Data)					◆	12/31																			
Issue Service-level directive to support the re-engineered process					◆	12/31																			
Contract for Independent Public Accountant (IPA) -- Single contract for all Services						◆	3/31																		
Assess -- Baseline							◆	6/30																	
Global Combat Support System-Army (GCSS-A) deployed								◆	9/30																
Audit -- Baseline								◆	9/30																
Submit ME modified Assertion for the follow on audit of Updated Baseline (not a full package to the ESC)									◆	12/31															
Increment 2 methodology valuations training (CAMS-ME)									◆	12/31															
Services responsible for contract level valuation - contingent on the OUSD(AT&L) deployment of CAMS-ME Increment 2.									◆	12/31															
Internal validation of Increment 2 completed by AAA -- Fully FASAB Compliant													◆	6/30											
Submit the Assertion Package to the ESC -- Fully FASAB Compliant																	◆	12/31							
Contract for IPA -- Fully FASAB Compliant																					◆	6/30			
Assess -- Fully FASAB Compliant																							◆	9/30	
Deploy General Fund Enterprise Business System (GFEBS)																							◆	9/30	
Audit -- Fully FASAB Compliant																								◆	12/31

**Military Equipment
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Navy																								
PMs provide OUSD(AT&L) updated ME asset delivery and disposal information from the date the initial valuation was performed through 9/30/05					◆ 3/31																			
Quarterly update of asset accountability data for initial valuation, as applicable. (This is a quarterly reoccurring process until UID registry is operational).					◆ 6/30																			
Independent limited scope validation by Navy Audit Service (NAS) of Baseline					◆ 6/30																			
Submit the ME modified Assertion Package for Baseline (Financial and Quantity Data)					◆ 12/31																			
Issue Service-level directive to support the re-engineered process					◆ 12/31																			
Contract for Independent Public Accountant (IPA) -- Single contract for all Services					◆ 3/31																			
Assess -- Baseline					◆ 6/30																			
Audit -- Baseline					◆ 9/30																			
Increment 2 methodology valuations training (CAMS-ME)									◆ 12/31															
Services responsible for contract level valuation - contingent on the OUSD(AT&L) deployment of CAMS-ME Increment 2.									◆ 12/31															
Submit ME modified Assertion for the follow on audit of Updated Baseline (not a full package to the ESC)									◆ 12/31															
Internal validation of Increment 2 completed by NAS -- Fully FASAB Compliant													◆ 6/30											
Submit the Assertion Package to the ESC -- Fully FASAB Compliant																	◆ 12/31							
Follow-on Audit of Updated Baseline																	◆ 12/31							
Contract for IPA -- Fully FASAB Compliant																					◆ 6/30			

**Military Equipment
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011								
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4					
Assess -- Fully FASAB Compliant																	◆ 9/30												
Audit -- Fully FASAB Compliant																		◆ 12/31											
Deploy Navy Enterprise Resource Planning (ERP)																									◆ 9/30				
Air Force																													
Develop plan for preparing Management Assertions with appropriate responsible officials	◆ 3/31																												
PMs provide OUSD(AT&L) updated ME asset delivery and disposal information from the date the initial valuation was performed through 9/30/05	◆ 3/31																												
Quarterly update of asset accountability data for initial valuation, as applicable. (This is a quarterly reoccurring process until UID registry is operational).		◆ 6/30																											
Reliability and Maintainability Information System (REMIS) fixed asset accounting capability system in place		◆ 6/30																											
Independent limited scope validation by Air Force Audit Agency (AFAA) of Baseline		◆ 6/30																											
Submit the ME modified Assertion Package for Baseline (Financial and Quantity Data)						◆ 12/31																							
Issue Service-level directive to support the re-engineered process						◆ 12/31																							
Contract for Independent Public Accountant (IPA) -- Single contract for all Services							◆ 3/31																						
Assess -- Baseline											◆ 6/30																		
Audit -- Baseline													◆ 9/30																
Increment 2 methodology valuations training (CAMS-ME)																	◆ 12/31												
Services responsible for contract level valuation - contingent on the OUSD(AT&L) deployment of CAMS-ME Increment 2.																	◆ 12/31												

**Military Equipment
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Submit ME modified Assertion for the follow on audit of Updated Baseline (not a full package to the ESC)									◆ 12/31																
Internal validation of Increment 2 completed by AFAA -- Fully FASAB Compliant													◆ 12/31												
Follow-on Audit of Updated Baseline													◆ 12/31												
Submit the Assertion Package to the ESC -- Fully FASAB Compliant													◆ 3/31												
Defense Enterprise Accounting Management System (DEAMS) deployed																	◆ 9/30								
Contract for IPA -- Fully FASAB Compliant																	◆ 9/30								
Assess -- Fully FASAB Compliant																					◆ 6/30				
Audit -- Fully FASAB Compliant																								◆ 12/31	
USMC	◆																								
PMs provide OUSD(AT&L) updated ME asset delivery and disposal information from the date the initial valuation was performed through 9/30/05									◆ 3/31																
Quarterly update of asset accountability data for initial valuation, as applicable. (This is a quarterly reoccurring process until UID registry is operational).													◆ 6/30												
Independent limited scope validation by Navy Audit Service (NAS) of Baseline													◆ 6/30												
Submit the ME modified Assertion Package for Baseline (Financial and Quantity Data)													◆ 12/31												
Issue Service-level directive to support the re-engineered process													◆ 12/31												
Contract for Independent Public Accountant (IPA) -- Single contract for all Services													◆ 3/31												
Assess -- Baseline																	◆ 6/30								

**Military Equipment
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011											
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4								
Audit -- Baseline								◆ 9/30																								
Increment 2 methodology valuations training (CAMS-ME)									◆ 12/31																							
Services responsible for contract level valuation - contingent on the OUSD(AT&L) deployment of CAMS-ME Increment 2.									◆ 12/31																							
Submit ME modified Assertion for the follow on audit of Updated Baseline (not a full package to the ESC)									◆ 12/31																							
Internal validation of Increment 2 completed by NAS -- Fully FASAB Compliant											◆ 6/30																					
Submit the Assertion Package to the ESC -- Fully FASAB Compliant													◆ 12/31																			
Follow-on Audit of Updated Baseline													◆ 12/31																			
Contract for IPA -- Fully FASAB Compliant															◆ 6/30																	
Assess -- Fully FASAB Compliant																	◆ 9/30															
Audit -- Fully FASAB Compliant																					◆ 12/31											
IG, DoD									◆																							
Contract for IPA for Army, Navy, USMC, and Air Force -- Contract for all Services								◆ 3/31																								
Assessment of Army Baseline for Fiscal Year 2006								◆ 6/30																								
Audit of Army Baseline for Fiscal Year 2006								◆ 9/30																								
Assessment of Navy Baseline for Fiscal Year 2006								◆ 6/30																								
Audit of Navy Baseline for Fiscal Year 2006								◆ 9/30																								

**Military Equipment
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Assessment of Air Force Baseline for Fiscal Year 2006							◆	6/30																	
Audit of Air Force Baseline for Fiscal Year 2006								◆	9/30																
Assessment of USMC Baseline for Fiscal Year 2006							◆	6/30																	
Audit of USMC Baseline for Fiscal Year 2006								◆	9/30																
Follow-on Audit of Updated Baseline for Army													◆	12/31											
Follow-on Audit of Updated Baseline for Navy													◆	12/31											
Follow-on Audit of Updated Baseline for Air Force													◆	12/31											
Follow-on Audit of Updated Baseline for USMC													◆	12/31											
Contract for IPA for Army																					◆	6/30			
Assessment of Army Q3 for Fiscal Year 2010 -- Fully FASAB Compliant																							◆	9/30	
Audit of Army Q4 for Fiscal Year 2010 -- Fully FASAB Compliant																								◆	12/31
Contract for IPA for Navy															◆	6/30									
Assessment of Navy Q3 for Fiscal Year 2009 -- Fully FASAB Compliant																							◆	9/30	
Audit of Navy Q4 for Fiscal Year 2009 -- Fully FASAB Compliant																							◆	12/31	
Contract for IPA for Air Force															◆	9/30									
Assessment of Air Force Q3 for Fiscal Year 2010 -- Fully FASAB Compliant																							◆	6/30	

**Military Equipment
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011							
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
Audit of Air Force Q4 for Fiscal Year 2010 -- Fully FASAB Compliant																									◆	12/31		
Contract for IPA for USMC													◆	6/30														
Assessment of USMC Q3 for Fiscal Year 2009 -- Fully FASAB Compliant																	◆	9/30										
Audit of USMC Q4 for Fiscal Year 2009 -- Fully FASAB Compliant																					◆	12/31						

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Appendix B

Real Property



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**Real Property
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	Real Property Key Milestones																							
OUSD (C)																								
Issue coordination draft of updated Volume 4, Chapter 6 of the Financial Management Regulation (FMR).					◆ 3/31																			
Establish consensus for 1998 baseline estimate for the value of real property					◆ 3/31																			
Publish revised capitalization threshold and implementation timeline					◆ 3/31																			
Prepare a best practices guide for internal controls and documentation					◆ 6/30																			
Update Volume 4, Chapter 6 of the Financial Management Regulation (FMR)					◆ 6/30																			
Determine availability and acceptability of 1998 baseline					◆ 12/31																			
Review Assertion Package for USMC					◆ 3/31																			
Implement revised capitalization threshold									◆ 9/30															
Review Assertion Package for DLA									◆ 9/30															
Review Assertion Package for Navy									◆ 12/31															
Review Assertion Package for Army									◆ 3/31															
Review Assertion Package for Air Force construction in progress (CIP)									◆ 6/30															
Review Assertion Package for Air Force real property																	◆ 12/31							
OUSD (AT&L)																								
Publish updated Department of Defense Instruction (DoDI) 4165.14 Real Property Inventory Reporting and Forecasting	◆ 3/31																							

**Real Property
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
	Amend Defense Federal Acquisition Regulation (DFAR) for real property in possession of contractor					◆			12/31																
Initial Operating Capability (IOC) for Site Unique Identifier registry and populate with owned and non-owned real property					◆			12/31																	
Initial Operating Capability (IOC) for Asset Unique Identifier Registry and populate with owned and non-owned real property									◆			12/31													
Army	[Redacted]																								
Ensure that required systems reviews have been completed or scheduled, if appropriate			◆	6/30																					
Complete reconciliation of preponderant user assets across General Fund (GF) and Working Capital Fund (WCF) including DoD Agencies				◆	9/30																				
Reconcile non-owned property (e.g. operating leases, status of forces agreements (SOFs). (NOTE: non-capitalized property)					◆			12/31																	
Assess internal controls for reporting real property values					◆			12/31																	
Implement Defense Federal Acquisition Regulation (DFAR) for real property in possession of contractor								◆	3/31																
Complete assessment of real property records at Army installations (Use internal resources or contractors).									◆			9/30													
Validate									◆			9/30													
Correct issues identified											◆	12/31													
Submit the Assertion Package to the Executive Steering Committee (ESC)											◆	12/31													
Contract for Independent Public Accountant (IPA)												◆	6/30												
Assess													◆			12/31									

**Real Property
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	Audit																	◆						
Navy	◆ 12/31																							
Implement selected items of the Business Management Modernization Program (BMMP) Real Property Inventory Requirements (RPIR)	◆																							
"Military Real Property Transfer and Acceptance" for all post 2005 assets are accounted for, accurate, and complete	◆																							
Complete discovery and correction of real property documentation requirements and procedures			◆																					
Expand classification of "Other Federal" in Navy real property database to include trading partner codes for transfers in/out			◆																					
Complete corrective actions: Preponderance of use and system reconciliation of Navy assets				◆																				
Complete reconciliation of preponderant user assets across General Fund (GF) and Working Capital Fund (WCF) including DoD Agencies								◆																
Complete implementation of Defense Federal Acquisition Regulation (DFAR) revised guidance on property in the possession of contractors								◆																
Implement formal periodic inventories of real property								◆																
Baseline established for the period beginning with Fiscal Year 1999 and forward.								◆																
Implement revised OSD guidance on capitalization threshold								◆																
Validate											◆													
Submit the Assertion Package to the Executive Steering Committee (ESC)												◆												
Contract for Independent Public Accountant (IPA)																◆								

**Real Property
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	Assess												◆ 6/30											
Audit																◆ 12/31								
Air Force	—————																							
Complete initial reconciliation with the United States Army Corps of Engineers (USACE) and the Naval Facilities Engineering Command (NAVFAC) construction in progress (CIP)			◆ 3/31																					
Publish Air Force Instruction (AFI) Real Property Accountability			◆ 6/30																					
Complete Air Force Audit Agency (AFAA) review of capital lease reporting			◆ 6/30																					
Assess impact of revised capitalization threshold, identify resource requirements to implement and sustain the revision, and revise plan (if necessary)				◆ 9/30																				
Complete automating multi-use heritage assets				◆ 9/30																				
Complete reconciliation of preponderant user assets across General Fund (GF) and Working Capital Fund (WCF) including DoD Agencies								◆ 12/31																
Complete Assertion Package for construction in progress (CIP) (dependent on receiving United States Army Corps of Engineers (USACE) & Naval Facilities Engineering Command (NAVFAC) Construction in Progress (CIP) assertions)												◆ 6/30												
Adjust plan for results of OUSD(C)'s assessment of 1998 baseline												◆ 6/30												
Validation by Air Force Audit Agency (AFAA) of construction in progress (CIP)																◆ 12/31								
Complete consolidation of real property databases into a single internet database																◆ 12/31								
Submit the assertion package to the Executive Steering Committee (ESC) - construction in progress (CIP)																								◆ 3/31

**Real Property
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	Train users				◆ 6/30																			
Complete reconciliation of preponderant user assets across General Fund (GF) and Working Capital Fund (WCF) including DoD Agencies				◆ 6/30																				
Validate				◆ 9/30																				
Submit the Assertion Package to the Executive Steering Committee (ESC)								◆ 12/31																
Contract for Independent Public Accountant (IPA)								◆ 6/30																
Assess												◆ 12/31												
Audit																								◆ 12/31
DLA																								
Test DLA web-based preponderant use/project tracking software				◆ 3/31																				
Train DLA staff on the web-base software for tracking preponderant use facilities/projects				◆ 3/31																				
Provide Military Departments with additional fuel facility records for reconciliation				◆ 3/31																				
Coordinate lease records for DLA preponderant use and reconcile with services				◆ 6/30																				
Complete preparation of process documentation for new facilities				◆ 6/30																				
Validate capital improvements / construction in progress (CIP) projects on initial reconciled real property records				◆ 6/30																				
Complete final Military Departments reconciliation for preponderant use								◆ 12/31																

**Real Property
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
	Consolidate the preponderant use facilities into one database for all Military Departments					◆			12/31																
Update financial inventory records					◆			12/31																	
Validate capital improvements / construction in progress (CIP) projects on final reconciled real property records					◆			12/31																	
Upload real property financial records into DLA financial system								◆	3/31																
Validate real property records and ensure documentation is complete								◆	3/31																
Prepare Assertion Package								◆	3/31																
Submit the Assertion Package to the Executive Steering Committee (ESC)								◆	6/30																
Contract for Independent Public Accountant (IPA)										◆			12/31												
Assess												◆	6/30												
Audit														◆			12/31								
IG, DoD																									
Contract for Independent Public Accountant (IPA) for Army														◆			6/30								
Assessment of Army 3Q for Fiscal Year 2008																◆	12/31								
Audit of Army 4Q for Fiscal Year 2008																		◆			12/31				
Contract for Independent Public Accountant (IPA) for Navy												◆	3/31												
Assessment of Navy 4Q for Fiscal Year 2008														◆			6/30								
Audit of Navy 4Q for Fiscal Year 2008																		◆			12/31				
Contract for Independent Public Accountant (IPA) for Air Force construction in progress (CIP)																						◆			9/30

**Real Property
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
	Assessment of Air Force construction in progress (CIP) 3Q for Fiscal Year 2009													◆ 3/31											
Audit of Air Force construction in progress (CIP) 4Q for Fiscal Year 2009																	◆ 12/31								
Contract for Independent Public Accountant (IPA) for Air Force real property																			◆ 3/31						
Assessment of Air Force real property 3Q for Fiscal Year 2010																				◆ 6/30					
Audit of Air Force real property 4Q for Fiscal Year 2010																					◆ 12/31				
Contract for Independent Public Accountant (IPA) for USMC							◆ 6/30																		
Assessment of USMC Q1 for Fiscal Year 2008									◆ 12/31																
Audit of USMC Q4 for Fiscal Year 2008													◆ 12/31												
Contract for Independent Public Accountant (IPA) for DLA									◆ 12/31																
Assessment of DLA 3Q for Fiscal Year 2008											◆ 6/30														
Audit of DLA 4Q for Fiscal Year 2008													◆ 12/31												

Appendix C

Fund Balance With Treasury



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**Fund Balance With Treasury
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Fund Balance With Treasury Key Milestones	▶																								
OUSD (C)	▶																								
Review Assertion Package for USMC General Fund (GF)				◆	9/30																				
Review Assertion Package for Army General Fund (GF)				◆	9/30																				
Review Assertion Package for DLA GF & Working Capital Fund (WCF)					◆	12/31																			
Review Assertion Package for Air Force WCF									◆	6/30															
Review Assertion Package for Navy GF										◆	9/30														
Review Assertion Package for Navy WCF										◆	9/30														
Review Assertion Package for Army WCF																						◆	12/31		
Army GF	▶																								
Submit the assertion package to the Executive Steering Committee (ESC)				◆	6/30																				
Contract for Independent Public Accountant (IPA)					◆	12/31																			
Assess									◆	6/30															
Audit																							◆	12/31	
Army WCF	▶																								

**Fund Balance With Treasury
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Submit the Assertion Package to the ESC								◆ 6/30																
Contract for IPA												◆ 12/31												
Assess												◆ 6/30												
Audit																								◆ 12/31
Navy WCF	◆																							
Develop business rules to treat anomalous unsupported undistributed balances			◆ 3/31																					
Materially reconcile unmatched disbursements and in-transits			◆ 6/30																					
Materially reconcile and stabilize unsupported undistributed balances			◆ 6/30																					
Implement compensating controls to ensure integrity for data exchange				◆ 9/30																				
Validation by NAS								◆ 12/31																
Submit the Assertion Package to the ESC												◆ 6/30												
Contract for IPA												◆ 12/31												
Assess																◆ 6/30								
Audit																								◆ 12/31
Air Force GF	◆																							

**Fund Balance With Treasury
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Audit													◆	12/31											
DLA GF & WCF				◆	—————																◆	12/31			
Validate			◆	6/30																					
Submit the Assertion Package to the ESC				◆	9/30																				
Contract for IPA							◆	3/31																	
Assess											◆	9/30													
Audit																	◆	12/31							
IG, DoD				◆	—————																◆	12/31			
Contract for IPA for Army GF							◆	12/31																	
Assessment of Army GF Q3 for Fiscal Year 2007											◆	6/30													
Audit of Army GF Q4 for Fiscal Year 2008																	◆	12/31							
Contract for IPA for Army WCF																			◆	3/31					
Assessment of Army WCF Q4 for Fiscal Year 2009																							◆	9/30	
Audit of Army WCF Q4 for Fiscal Year 2010																								◆	12/31
Contract for IPA for Navy GF												◆	12/31												

**Fund Balance With Treasury
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Assessment of Navy GF Q3 for Fiscal Year 2009												◆ 6/30												
Audit of Navy GF Q1 for Fiscal Year 2009																								◆ 12/31
Contract for IPA for Navy WCF												◆ 12/31												
Assessment of Navy WCF Q3 for Fiscal Year 2008												◆ 6/30												
Audit of Navy WCF Q4 for Fiscal Year 2009																								◆ 12/31
Contract for IPA for Air Force GF																								
Assessment of Air Force GF Q4 for Fiscal Year 2006								◆ 9/30																
Audit of Air Force GF Q4 for Fiscal Year 2007												◆ 12/31												
Contract for IPA for Air Force WCF												◆ 9/30												
Assessment of Air Force WCF Q3 for Fiscal Year 2008												◆ 3/31												
Audit of Air Force WCF Q4 for Fiscal Year 2008																◆ 12/31								
Contract for IPA for USMC GF								◆ 12/31																
Assessment of USMC GF Q3 for Fiscal Year 2007												◆ 6/30												
Audit of USMC GF Q4 for Fiscal Year 2008																◆ 12/31								
Contract for IPA for DLA GF & WCF								◆ 3/31																

**Fund Balance With Treasury
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Assessment of DLA GF & WCF Q4 for Fiscal Year 2007								◆ 9/30																
Audit of DLA GF & WCF Q4 for Fiscal Year 2008													◆ 12/31											

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Appendix D

Inventory and Related Property



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**Inventory and Related Property
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014				2015				2016				2017				2018			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
Inventory and Related Property Key Milestones	▶																																																			
OUIS (C)	▶																																																			
Ammunition - Conduct Financial Management (FM) training and oversight	◆ 3/31																																																			
Review Assertion Package for DLA Working Capital Fund (WCF) energy inventory					◆ 9/30																																															
Review Assertion Package for USMC Working Capital Fund (WCF)					◆ 6/30																																															
Review Assertion Package for USMC General Fund (GF) Operating Materials and Supplies (OM&S)					◆ 9/30																																															
Review Assertion Package for USMC General Fund (GF) Ammunition					◆ 9/30																																															
Review Assertion Package for DLA WCF non energy inventory and Stockpile inventory									◆ 12/31																																											
Review Assertion Package for Army Working Capital Fund (WCF)													◆ 3/31																																							
Review Assertion Package for Army General Fund (GF)																	◆ 3/31																																			
Review Assertion Package for Air Force Working Capital Fund (WCF)																					◆ 12/31																															
Review Assertion Package for Navy General Fund (GF)																									◆ 9/30																											
Review Assertion Package for Navy Working Capital Fund (WCF)																									◆ 9/30																											
Review Assertion Package for Air Force General Fund (GF)																																	◆ 9/30																			
OUIS (AT&L)	◆ 3/31																																																			

**Inventory and Related Property
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014				2015				2016				2017				2018							
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4								
Publish "in-transit" accountability policy	◆ 3/31																																																							
Army General Fund (GF)	◆				—————				—————				—————				—————				—————				—————				—————				—————				—————				—————				—————				—————							
Determine Army's methodology to establishing inventory baseline	◆ 6/30																																																							
Funds Control Federal Financial Management Improvement Act (FFMIA) Army Audit Agency (AAA) audit complete	◆ 9/30																																																							
Complete Funds Control Financial Management Center (FMC) implementation (business process reengineering initiative)	◆ 9/30																																																							
Validation of methodology	◆ 12/31																																																							
"In-transit" material weakness resolved					◆ 6/30																																																			
Logistics Modernization Program-FT Installation Fixed Base (IFB)					◆ 9/30																																																			
Ensure that required systems reviews have been completed or scheduled (FISCAM or SAS 70) for Global Combat Support System (GCSS)									◆ 12/31																																															
Complete baseline valuation effort													◆ 12/31																																											
Complete second phase of implementation of Single Army Logistics Enterprise (SALE), including Product Lifecycle Management Plus (PLM+), and Logistics Modernization Program (LMP)																	◆ 9/30																																							
Validation																	◆ 9/30																																							
Submit the Assertion Package to the Executive Steering Committee (ESC)																	◆ 12/31																																							
Contract for Independent Public Accountant (IPA)																	◆ 6/30																																							
Assess																					◆ 12/31																																			

**Inventory and Related Property
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014				2015				2016				2017				2018			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
Validate							◆	3/31																																												
Submit the Assertion Package to the Executive Steering Committee (ESC)							◆	6/30																																												
Contract for Independent Public Accountant (IPA)											◆	12/31																																								
Assess											◆	6/30																																								
Audit (11/15/09)																				◆	12/31																															
USMC (Ammunition)																																																				
Conduct Financial Management Training and Oversight			◆	3/31																																																
Complete policies and procedures			◆	6/30																																																
Obtain system documentation			◆	6/30																																																
Migrate MAARS II to CAIMS-OIS				◆	9/30																																															
Validate							◆	3/31																																												
Submit the Assertion Package to the Executive Steering Committee (ESC)											◆	6/30																																								
Report on Marine Corps Ammunition on Balance Sheet											◆	9/30																																								
Migration of Operating Materials and Supplies data from Supported Activities Supply System to Ground Combat Support System - Marine Corps															◆	12/31																																				
Contract for Independent Public Accountant (IPA)															◆	12/31																																				
Assess																				◆	6/30																															

**Inventory and Related Property
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014				2015				2016				2017				2018			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
Non energy - Implement corrective actions to resolve inventory baseline and other valuation deficiencies involving data in BSM (@ DLA supply chains), DAISY (DRMS Automated Information System) & DWAS (Defense Working Capital Fund Accounting System)									◆				3/31																																							
Non energy - Validation													◆				6/30																																			
Submit the Assertion Package to the Executive Steering Committee (ESC)													◆				9/30																																			
Contract for Independent Public Accountant (IPA) for Non energy and Stockpile													◆				3/31																																			
Assess																	◆			9/30																																
Audit (11/15/10)																							◆			12/31																										
Energy - Assure system controls analysis is complete.	◆				3/31																																															
Energy - Complete discovery and correction to include any gaps or deficiencies in any part of the required assertion package	◆				3/31																																															
Energy - Correct all known deficiencies and gaps for the assertion package.	◆				3/31																																															
Energy - Complete and validate past actions on audit reports: reconciliation, physical inventory, reporting tools, policy and procedures	◆				6/30																																															
Energy - Deliver draft assertion package to J-8 for review.	◆				6/30																																															
Energy - DLA conducts validation of the Assertion Package	◆				6/30																																															
Submit the Assertion Package to the Executive Steering Committee (ESC)	◆				6/30																																															
Contract for Independent Public Accountant (IPA) for Energy					◆				12/31																																											
Assess									◆				6/30																																							

**Inventory and Related Property
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014				2015				2016				2017				2018			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
Audit (11/15/08)													◆																																							
IG, DoD	◆																																																			
Contract for Independent Public Accountant (IPA) for Army General Fund (GF)																																																				
Assessment of Army General Fund (GF) of Q1 for Fiscal Year 2012																																																				
Audit of Army General Fund (GF) Q4 for Fiscal Year 2012																																																				
Contract for IPA for Army Working Capital Fund (WCF)																																																				
Assessment of Army Working Capital Fund (WCF) of Q1 for Fiscal Year 2011																																																				
Audit of Army Working Capital Fund (WCF) Q4 for Fiscal Year 2011																																																				
Contract for IPA for Navy General Fund (GF)																																																				
Assessment of Navy General Fund (GF) of Q3 for Fiscal Year 2013																																																				
Audit of Navy General Fund (GF) Q4 for Fiscal Year 2014																																																				
Contract for Independant Public Accountant (IPA) for Navy Working Capital Fund (WCF)																																																				
Assessment of Navy Working Capital Fund (WCF) of Q3 for Fiscal Year 2013																																																				
Audit of Navy Working Capital Fund (WCF) Q4 for Fiscal Year 2014																																																				
Contract for Independant Public Accountant (IPA) for Air Force General Fund (GF)																																																				
Assessment of Air Force General Fund (GF) of Q3 for Fiscal Year 2015																																																				

**Inventory and Related Property
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014				2015				2016				2017				2018			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
Contract for Independant Public Accountant (IPA) for DLA Working Capital Fund (WCF) Energy					◆				12/31																																											
Assessment of DLA Working Capital Fund (WCF) Energy of Q3 for Fiscal Year 2007						◆			6/30																																											
Audit of DLA Working Capital Fund (WCF) Energy Q4 for Fiscal Year 2008													◆				12/31																																			

Appendix E

Other Assets



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**Other Assets
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Submit the Assertion Package to the Executive Steering Committee (ESC)				◆ 6/30																																
Contract for Independent Public Accountant (IPA)					◆ 12/31																															
Assess								◆ 6/30																												
Audit (11/15/08)																◆ 12/31																				
IG, DoD					◆																															
Contract for IPA for Army General Fund (GF)																																				
Assessment of Army General Fund (GF) Q1 for Fiscal Year 2011																																				
Audit of Army General Fund (GF) Q4 for Fiscal Year 2012																																				
Contract for IPA for Army Working Capital Fund (WCF)																◆ 6/30																				
Assessment of Army Working Capital Fund (WCF) Q1 for Fiscal Year 2010																																				
Audit of Army Working Capital Fund (WCF) Q4 for Fiscal Year 2010																																				
Contract for IPA for Navy General Fund (GF)								◆ 6/30																												
Assessment of Navy General Fund (GF) Q1 for Fiscal Year 2008												◆ 12/31																								
Audit of Navy General Fund (GF) Q4 for Fiscal Year 2008																																				
Contract for IPA for Navy Working Capital Fund (WCF)												◆ 12/31																								
Assessment of Navy Working Capital Fund (WCF) Q3 for Fiscal Year 2008																◆ 6/30																				

**Other Assets
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Audit of Navy Working Capital Fund (WCF) Q4 for Fiscal Year 2009																	◆																			
Contract for IPA for Air Force General Fund (GF)																																				
Assessment of Air Force General Fund (GF) Q3 for Fiscal Year 2012																																				
Audit of Air Force General Fund (GF) Q4 for Fiscal Year 2013																																				
Contract for IPA for Air Force Working Capital Fund (WCF)																					◆															
Assessment of Air Force Working Capital Fund (WCF) Q3 for Fiscal Year 2011																																				
Audit of Air Force Working Capital Fund (WCF) Q4 for Fiscal Year 2012																																				
Contract for IPA for DLA General Fund (GF) & Working Capital Fund (WCF)																																				
Assessment of DLA General Fund (GF) & Working Capital Fund (WCF) of Q3 Fiscal Year 2007																																				
Audit of DLA General Fund (GF) & Working Capital Fund (WCF) Q4 for Fiscal Year 2007																																				

Appendix F

Accounts Receivable



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**Accounts Receivable
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Accounts Receivable Key Milestones	▶																																			
OUSD (C)	◀																																			
Determine whether a policy for standard calculation of doubtful accounts is needed			◆																																	
Determine whether military department policy change to require fund code appropriation data be linked to sales			◆																																	
Issue revised OUSD(C) policies			◆																																	
Review Assertion Package for DLA General Fund (GF), Working Capital Fund (WCF) and Stockpile							◆																													
Review Assertion Package for USMC General Fund (GF)											◆																									
Review Assertion Package for Navy General Fund (GF)															◆																					
Review Assertion Package for Navy Working Capital Fund (WCF)															◆																					
Review Assertion Package for Army Working Capital Fund (WCF)																																				
Review Assertion Package for Army General Fund (GF)																																				
Review Assertion Package for Air Force General Fund (GF)																																				
Review Assertion Package for Air Force Working Capital Fund (WCF)																																				
Army General Fund (GF)	◀																																			
Submit the Assertion Package to the Executive Steering Committee (ESC)																																				

**Accounts Receivable
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014							
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
Contract for Independent Public Accountant (IPA)																									◆															
Assess																																								
Audit (11/15/12)																																								
Army Working Capital Fund (WCF)																																								
Implement auditable process to report receivables									◆																															
Support undistributed collections with detailed transactions									◆																															
Report receivables in accordance with an auditable process									◆																															
Identify requirements to accurately report receivables									◆																															
Reconcile receivables for monthly report of receivables (MROR) and Treasury report on receivables (TROR)									◆																															
Accurately report Working Capital Fund (WCF) receivables													◆																											
Validate													◆																											
Submit the Assertion Package to the Executive Steering Committee (ESC)																																								
Contract for Independent Public Accountant (IPA)																																								
Assess																																								
Audit (11/15/10)																																								
Navy General Fund (GF)																																								

**Accounts Receivable
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Develop and implement an automated transaction level aged accounts receivable report				◆	9/30																															
Document business processes and assess internal controls at DFAS Cleveland field sites				◆	9/30																															
Document business processes and assess management controls at DFAS Cleveland central Site, including intragovernmental eliminations, JV and estimating uncollectible receivables				◆	9/30																															
Obtain Accounts Receivable posting logic/data flows and transition implications for various Standard Accounting and Reporting System (STARS) modules, AIRSAP (ERP), NSMA, BUPERS, FIS (NAVFAC) and DTS				◆	9/30																															
Document business processes and assess management controls at Navy Commands					◆	3/31																														
Develop corrective action plans (CAPs) to address business process and systemic weakness					◆	3/31																														
Validate								◆	9/30																											
Submit the Assertion Package to the Executive Steering Committee (ESC)									◆	12/31																										
Contract for Independent Public Accountant (IPA)											◆	6/30																								
Assess												◆	12/31																							
Audit (11/15/09)													◆	12/31																						
Navy Working Capital Fund (WCF)	◆																																			
Documents business processes and assess management controls at DFAS Cleveland field sites				◆	9/30																															
Documents business processes and assess management controls at DFAS Cleveland central Site, including intragovernmental eliminations, JV and estimating uncollectible receivables				◆	9/30																															
Obtain posting logic/data flows and system transition implications for Working Capital Fund (WCF) systems				◆	9/30																															

**Accounts Receivable
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Document business processes and assess management controls at Navy commands if determined necessary					◆				3/31																												
Develop corrective action plans (CAPs) to address business process and systemic weaknesses					◆				3/31																												
Validate													◆				9/30																				
Submit the Assertion Package to the Executive Steering Committee (ESC)																					◆				12/31												
Contract for Independent Public Accountant (IPA)																									◆				6/30								
Assess																									◆				12/31								
Audit (11/15/09)																													◆				12/31				
Air Force General Fund (GF)					◆				12/31																												
Establish the effort for preparation of process documentation and data flow mapping					◆				12/31																												
Defense Enterprise Accounting and Management System (DEAMS) Fully Operational Capability (FOC)																									◆				9/30								
Complete preparation of process documentation and data flow mapping and request internal validation from Air Force Audit Agency (AFAA)																													◆				9/30				
Validate																																					
Submit the Assertion Package to the Executive Steering Committee (ESC)																													◆				3/31				
Contract for Independent Public Accountant (IPA)																																					
Assess																																					
Audit (11/15/13)																																					

**Accounts Receivable
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Obtain systems documentation				◆ 6/30																																
Update for Standard Financial Information Structure/Business Enterprise Information Services SFIS/BEIS, DoD Auto. Addressing System (DODAAC), DAAS-C, and develop, test and implement common data exchange for trading partner issues				◆ 6/30																																
Validate								◆ 12/31																												
Submit the Assertion Package to the Executive Steering Committee (ESC)								◆ 3/31																												
Contract for Independent Public Accountant (IPA)												◆ 9/30																								
Assess												◆ 3/31																								
Audit (11/15/08)																◆ 12/31																				
DLA General Fund (GF), Working Capital Fund (WCF) & Stockpile	◆																																			
DLA and DFAS: Perform self-assessment to determine if Accounts Receivable is auditable				◆ 3/31																																
J-852, DFAS and FSO perform data mining/cleansing of Accounts Receivable				◆ 3/31																																
Implement required changes to comply with J-308 recommendations				◆ 6/30																																
Validate				◆ 6/30																																
Submit the Assertion Package to the Executive Steering Committee (ESC)								◆ 9/30																												
Contract for Independent Public Accountant (IPA)												◆ 3/31																								
Assess												◆ 9/30																								

**Accounts Receivable
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Audit (11/15/08)													◆ 12/31																								
IG, DoD																																					
Contract for Independent Public Accountant (IPA) for Army General Fund (GF)																									◆ 6/30												
Assessment of Army General Fund (GF) Q1 for Fiscal Year 2012																													◆ 12/31								
Audit of Army General Fund (GF) Q4 for Fiscal Year 2012																																	◆ 12/31				
Contract for Independent Public Accountant (IPA) for Army Working Capital Fund (WCF)													◆ 6/30																								
Assessment of Army Working Capital Fund (WCF) Q1 for Fiscal Year 2010																	◆ 12/31																				
Audit of Army Working Capital Fund (WCF) Q4 for Fiscal Year 2010																					◆ 12/31																
Contract for Independent Public Accountant (IPA) for Navy General Fund (GF)									◆ 6/30																												
Assessment of Navy General Fund (GF) Q4 for Fiscal Year 2008													◆ 12/31																								
Audit of Navy General Fund (GF) Q4 for Fiscal Year 2009																	◆ 12/31																				
Contract for Independent Public Accountant (IPA) for Navy Working Capital Fund (WCF)									◆ 6/30																												
Assessment of Navy Working Capital Fund (WCF) Q4 for Fiscal Year 2008													◆ 12/31																								
Audit of Navy Working Capital Fund (WCF) Q4 for Fiscal Year 2009																	◆ 12/31																				
Contract for Independent Public Accountant (IPA) for Air Force General Fund (GF)																													◆ 12/31								
Assessment of Air Force General Fund (GF) Q3 for Fiscal Year 2012																																	◆ 6/30				

Appendix G

Cash and Other Monetary Assets



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**Cash and Other Monetary Assets
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Cash & Other Monetary Assets Key Milestones	▶																			
OUSD (C)																				
Review Assertion Package for Air Force General Fund (GF)	 6/30																			
Review Assertion Package for Army GF	 12/31																			
Review Assertion Package for USMC	 6/30																			
Review Assertion Package for Navy GF	 9/30																			
Army GF																				
Validate	 9/30																			
Submit the Assertion Package to the Executive Steering Committee (ESC)	 9/30																			
Contract for Independent Public Accountant (IPA)	 3/31																			
Assess	 9/30																			
Audit (11/15/08)	 12/31																			
Navy GF																				
Issue amplifying guidance to support Treasury 2002 guidance	 6/30																			
Complete process reviews and document internal controls-Pacific Fleet	 9/30																			

**Cash and Other Monetary Assets
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Contract for IPA								◆ 9/30												
Assess									◆ 3/31											
Audit (11/15/08)													◆ 12/31							
IG, DoD					◆—————◆															
Contract for IPA for Army GF							◆ 3/31													
Assessment of Army GF Q4 for Fiscal Year 2007								◆ 9/30												
Audit of Army GF Q4 for Fiscal Year 2008													◆ 12/31							
Contract for IPA for Air Force GF				◆ 9/30																
Assessment of Air Force GF Q2 for Fiscal Year 2007							◆ 3/31													
Audit of Air Force GF Q4 for Fiscal Year 2007									◆ 12/31											
Contract for IPA for Navy GF									◆ 12/31											
Assessment of Navy GF Q4 for Fiscal Year 2007											◆ 6/30									
Audit of Navy GF Q4 for Fiscal Year 2009																	◆ 12/31			
Contract for IPA for USMC									◆ 9/30											
Assessment of USMC Q2 for Fiscal Year 2008											◆ 3/31									
Audit of USMC Q4 for Fiscal Year 2008													◆ 12/31							

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Appendix H

Medicare-Eligible Retiree Health Care Fund



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**Medicare-Eligible Retiree Health Care Fund
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Medicare-Eligible Retiree Health Care Fund Key Milestones	▶																			
OUSD (P&R) Health Affairs	▶																			
Deploy Coding Compliance Editor (CCE)				◆ 6/30																
Assess materiality of Pharmacy Data Transaction System (PDTS) cost allocation of pharmaceutical dollars between Operations and Maintenance (O&M) Funds and the Medicare-Eligible Retiree Health Care Fund (MERHCF)				◆ 9/30																
Validate adequate reconciliation of base level budget execution reports with source documents								◆ 12/31												
Assess materiality of patient coding errors																◆ 9/30				
Resolve qualification with Audits																				◆ 3/31
MERHCF assertion letter to Independent Public Accountant (IPA)																				◆ 3/31
Audit																				◆ 12/31
IG, DoD	▶																			
IG, DoD overview of audit																				◆ 12/31

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Appendix I

Other Military Retiree Health Care



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**Other Military Retiree Health Care
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
TRICARE Management Activity Key Milestones																				
OUSD (C)																				
Review Assertion Package for United States University Health Service (USUHS)	◆ 12/31																			
Review Assertion Package for TRICARE Management Activity Balance Sheet	◆ 12/31																			
Review Assertion Package for TRICARE Management Activity Remaining Financial Statements	◆ 12/31																			
OUSD(P&R) Health Affairs (TRICARE Management Activity)																				
Identify deficiencies for Discovery Phase I	◆ 3/31																			
Complete validation of Assertion Package for Balance Sheet	◆ 6/30																			
Submit the Assertion Package for Balance Sheet to the Executive Steering Committee (ESC) 4Q06	◆ 9/30																			
Contract for Independent Public Accountant (IPA) for TRICARE Management Activity Balance Sheet	◆ 3/31																			
Identify deficiencies for Discovery Phase II	◆ 3/31																			
Complete validation of Assertion Packages for all remaining financial statements	◆ 6/30																			
Assess	◆ 9/30																			
Submit the Assertion Package for remaining financial statements to the ESC 4Q07	◆ 9/30																			
Contract for IPA for TRICARE Management Activity remaining financial statements	◆ 3/31																			

**Other Military Retiree Health Care
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Assess													◆ 9/30								
Audit Phase I (11/15/08)													◆ 12/31								
Audit Phase II (11/15/09)																	◆ 12/31				
USUHS																					
Validation			◆ 6/30																		
Submit the Assertion Package to the Executive Steering Committee (ESC)				◆ 9/30																	
Contract for (Independent Public Accountant) IPA							◆ 3/31														
Assess									◆ 9/30												
Audit (11/15/08)													◆ 12/31								
IG, DoD																					
Contract for IPA for USUHS Balance Sheet							◆ 3/31														
Assessment of USUHS Balance Sheet Q4 for Fiscal Year 2007									◆ 9/30												
Audit of USUHS Balance Sheet Q4 for Fiscal Year 2008 (11/15/08)													◆ 12/31								
Contract for IPA for TRICARE Management Activity Balance Sheet							◆ 3/31														
Assessment of TRICARE Management Activity Balance Sheet Q4 for Fiscal Year 2007									◆ 9/30												
Audit of TRICARE Management Activity Balance Sheet Q4 for Fiscal Year 2008 (11/15/08)													◆ 12/31								

**Other Military Retiree Health Care
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Contract for IPA for TRICARE Management Activity remaining financial statements											◆	3/31								
Assessment of TRICARE Management Activity remaining financial statements Q4 for Fiscal Year 2008															◆	9/30				
Audit of TRICARE Management Activity remaining financial statements for Q4 for Fiscal Year 2009 (11/15/09)																				◆ 12/31

**Other Military Retiree Health Care
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014				2015																			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4																
Service Medical Activity (SMA) KMP	▶																																																							
OUSD (C)	▶																																																							
Review Assertion Package for Navy Balance Sheet																																	◆ 12/31																							
Review Assertion Package for Army Balance Sheet																																	◆ 12/31																							
Review Assertion Package for Army remaining financial statements																																					◆ 3/31																			
Review Assertion Package for Navy remaining financial statements																																									◆ 12/31															
Review Assertion Package for Air Force Balance Sheet																																													◆ 12/31											
Review Assertion Package for Air Force remaining financial statements																																																	◆ 6/30							
Army (MEDCOM)	▶																																																							
Identify deficiencies for Discovery Phase I (8/31/2007)					◆ 9/30																																																			
Complete validation of Assertion Package for the Balance Sheet									◆ 3/31																																															
Submit the Assertion Package for Balance Sheet to the ESC													◆ 9/30																																											
Contract for IPA for MEDCOM Balance Sheet																	◆ 3/31																																							
Identify deficiencies for Discovery Phase II																					◆ 6/30																																			
Assess																									◆ 9/30																															

**Other Military Retiree Health Care
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014				2015			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Complete validation of Assertion Package for the remaining financial statements																	◆																							
Submit the Assertion Package for remaining financial statements to the ESC																					◆																			
Contract for IPA for MEDCOM remaining financial statements																									◆															
Assess																									◆															
Audit Balance Sheet (11/15/10)																									◆															
Audit Remaining Financial Statements (11/15/11)																													◆											
Navy (BUMED)																																								
Identify deficiencies for Discovery Phase I (8/31/2007)					◆																																			
Complete validation of Assertion Package for the Balance Sheet													◆																											
Submit the Assertion Package for Balance Sheet to the ESC																	◆																							
Contract for IPA for BUMED Balance Sheet																					◆																			
Assess																					◆																			
Identify deficiencies for Discovery Phase II																					◆																			
Complete validation of Assertion Package for the remaining financial statements																									◆															
Submit the Assertion Package for remaining financial statements to the ESC																									◆															
Audit Balance Sheet (11/15/10)																													◆											

Appendix J

Environmental Liabilities



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**Environmental Liabilities
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Environmental Liabilities (EL) Key Milestones	▶																								
OSD (C)	▶																								
Review Assertion Package for Navy Nuclear and Conventional Ships and Submarines					◆			12/31																	
Review Assertion Package for Army Chemical Demilitarization / Chemical Agents and Munitions Disposal (CAMD)								◆	3/31																
Review Assertion Package for Army Defense Environmental Restoration Program (DERP) and Non-DERP									◆			3/31													
Review Assertion Package for Navy Defense Environmental Restoration Program (DERP) including USMC									◆			3/31													
Review Assertion Package for Navy Non-Defense Environmental Restoration Program (Non-DERP)									◆			3/31													
Review Assertion Package for Navy Base Realignment and Closure (BRAC) Program Management Office (PMO) Non-Defense Environmental Restoration Program (Non-DERP)									◆			3/31													
Review Assertion Package for Navy Base Realignment and Closure (BRAC) Program Management Office (PMO) Defense Environmental Restoration Program (DERP)									◆			3/31													
Review Assertion Package for USMC Non-Defense Environmental Restoration Program (Non-DERP)									◆			3/31													
Review Assertion Package for DLA													◆			6/30									
Review Assertion Package for Army Chemical Agents and Munitions Disposal (CAMD) Assembled Chemical Weapons Assessment (ACWA)													◆			12/31									
Review Assertion Package for Air Force Defense Environmental Restoration Program (DERP)													◆			12/31									
OSD (AT&L)									◆																
Approve revised Acquisition Program Baseline for Chemical Demilitarization					◆			3/31																	

**Environmental Liabilities
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Assign and fund proponenty for Buried Chemical Weapons (BCW) disposition			◆	3/31																					
OUSD (I&E): Business Transformation (BT)	◆																								
Conclude development of enterprise architecture data model (OV7) linking sites and other sources of environmental liabilities to PP&E asset records.				◆	9/30																				
Army: DERP	◆																								
Complete initial estimates for all sites in the EL universe		◆	3/31																						
Document processes & procedures for creating, changing, reviewing, approving and liquidating EL estimates				◆	9/30																				
Document properly qualified supervisory review and approval of the liability estimates				◆	9/30																				
Populate data system containing the inventory of all sites, associated estimates, anticipated closure dates and costs, and cumulative costs incurred.				◆	9/30																				
Validation by Army Audit Agency (AAA)								◆	9/30																
Prepare summary of validation work performed and explanation of management actions to resolve deficiencies								◆	9/30																
Submit Assertion Package to the Executive Steering Committee (ESC)										◆	12/31														
Contract for Independent Public Accountant (IPA)												◆	6/30												
Assess														◆	12/31										
Audit																						◆	12/31		
Army: Non-DERP	◆																								
Develop complete universe of EL candidate units, facilities, property and / or operations where environmental issues have been identified			◆	6/30																					

**Environmental Liabilities
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011									
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4						
Complete initial estimates for all sites in the EL universe			◆	6/30																										
Document processes / procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates			◆	6/30																										
Document properly qualified supervisory review and approval of the liability estimates			◆	6/30																										
Populate data system containing the inventory of all sites, associated estimates, anticipated closure dates and costs, and cumulative costs incurred.				◆	9/30																									
Validation by Army Audit Agency (AAA)								◆	9/30																					
Prepare summary of validation work performed and explanation of management actions to resolve deficiencies								◆	9/30																					
Submit Assertion Package to the Executive Steering Committee (ESC)									◆	12/31																				
Contract for Independent Public Accountant (IPA)										◆	6/30																			
Assess												◆	12/31																	
Audit																								◆	12/31					
Army: Chemical Materials Agency / Chemical Agents Munitions Disposal (CAMD)	◆																													
Finalize documentation of processes / procedures for creating, reviewing, approving, and liquidating environmental liability estimates			◆	3/31																										
Document properly qualified supervisory review and approval of the liability estimates			◆	3/31																										
Populate databank containing the inventory of all sites, their associated estimates, anticipated closure dates and costs, and cumulative costs incurred			◆	3/31																										
Assess internal controls for liability estimation				◆	6/30																									
Validation by Army Audit Agency (AAA)					◆	9/30																								

**Environmental Liabilities
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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Correct Army Audit Agency (AAA) findings and deficiencies				◆ 9/30																				
Prepare summary of validation work performed and explanation of management actions to resolve deficiencies				◆ 9/30																				
Complete Assertion Checklist (10/31/06)					◆ 12/31																			
Submit Assertion Package to the Executive Steering Committee (ESC)					◆ 12/31																			
Contract for Independent Public Accountant (IPA)								◆ 6/30																
Assess									◆ 12/31															
Audit													◆ 12/31											
Army: CAMD Assembled Chemical Weapons Assessment (ACWA)				◆	◆																		◆	
Develop complete universe of EL candidate units, facilities, property and / or operations where environmental issues have been identified				◆ 6/30																				
Submit Chemical Demilitarization Program (CDP) baseline to OUSD (AT&L) for approval				◆ 9/30																				
Finalize documentation of processes / procedures for creating, reviewing, approving, and liquidating environmental liability estimates					◆ 12/31																			
Document properly qualified supervisory review and approval of the liability estimates								◆ 3/31																
Populate databank containing the inventory of all sites, their associated estimates, anticipated closure dates and costs, and cumulative costs incurred								◆ 3/31																
Assess internal controls for liability estimation								◆ 6/30																
Validation by Army Audit Agency									◆ 12/31															
Correct Army Audit Agency findings and deficiencies												◆ 3/31												

**Environmental Liabilities
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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Prepare summary of validation work performed and explanation of management actions to resolve deficiencies											◆	3/31												
Complete Assertion Checklist											◆	6/30												
Submit Assertion Package to the Executive Steering Committee											◆	9/30												
Contract for Independent Public Accountant (IPA)													◆	3/31										
Assess															◆	6/30								
Audit																					◆	12/31		
Navy: DERP Including USMC	◆																							
Resolve policy issues					◆	3/31																		
Populate databank containing the inventory of all sites, their associated estimates, anticipated closure dates and costs, and cumulative costs incurred					◆	3/31																		
Assess internal controls for liability estimation							◆	6/30																
Validate Management Control Process							◆	6/30																
Complete Assertion Checklist									◆	9/30														
Prepare summary of validation work performed and explanation of management actions to resolve deficiencies									◆	9/30														
Submit Assertion Package to the Executive Steering Committee (ESC)											◆	12/31												
Contract for Independent Public Accountant (IPA)													◆	6/30										
Assess															◆	12/31								

**Environmental Liabilities
Financial Improvement and Audit Readiness Plan
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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011							
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
Audit																	◆											
Navy Base Realignment and Closure (BRAC) Program Management Office (PMO) Defense Environmental Restoration Program (DERP) (including USMC)	◆ 12/31																											
Populate databank containing the inventory of all sites, their associated estimates, anticipated closure dates and costs, and cumulative costs incurred					◆																							
Resolve policy issues					◆																							
Validate Management Control Process								◆																				
Assess internal controls for liability estimation								◆																				
Complete Assertion Checklist								◆																				
Prepare summary of validation work performed and explanation of management actions to resolve deficiencies								◆																				
Submit Assertion Package to the Executive Steering Committee (ESC)												◆																
Contract for Independent Public Accountant (IPA)												◆																
Assess																◆												
Audit																												◆
Navy BRAC PMO Non-DERP (including USMC)	◆ 12/31																											
Resolve policy issues	◆																											
Develop complete universe of EL candidate units, facilities, property and / or operations where environmental issues have been identified	◆																											
Document processes / procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates	◆																											

**Environmental Liabilities
Financial Improvement and Audit Readiness Plan
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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Complete initial estimates for all sites in the EL universe				◆ 9/30																				
Document properly qualified supervisory review and approval of the liability estimates				◆ 9/30																				
Assess internal controls for liability estimation				◆ 9/30																				
Validation by internal audit								◆ 3/31																
Populate databank containing the inventory of all sites, their associated estimates, anticipated closure dates and costs, and cumulative costs incurred								◆ 3/31																
Validate Management Control Process												◆ 9/30												
Prepare summary of validation work performed and explanation of management actions to resolve deficiencies												◆ 9/30												
Complete Assertion Checklist												◆ 9/30												
Submit Assertion Package to the Executive Steering Committee (ESC)																◆ 12/31								
Contract for Independent Public Accountant (IPA)																◆ 6/30								
Assess																◆ 12/31								
Audit																								◆ 12/31
Navy: Nuclear and Conventional Ships and Submarines	◆																							
Assess internal controls for liability estimation				◆ 3/31																				
Validation by internal audit				◆ 3/31																				
Validate Management Control Process				◆ 3/31																				

**Environmental Liabilities
Financial Improvement and Audit Readiness Plan
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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Prepare summary of validation work performed and explanation of management actions to resolve deficiencies			◆	6/30																					
Complete Assertion Checklist				◆	9/30																				
Submit Assertion Package to the Executive Steering Committee (ESC)				◆	9/30																				
Contract for Independent Public Accountant (IPA)							◆	3/31																	
Assess								◆	6/30																
Audit											◆	12/31													
Air Force: DERP	◆																								
Publish Air Force Environmental Liability Guide			◆	3/31																					
Review, update, and publish existing management control policies				◆	9/30																				
Ensure implementation of existing management control policies								◆	12/31																
Document processes / procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates								◆	12/31																
Document properly qualified supervisory review and approval of the liability estimates								◆	12/31																
Complete management review of existing management control policies, procedures and documentation											◆	6/30													
Complete internal review of environmental liabilities estimates												◆	9/30												
Complete Assertion Package															◆	12/31									
Validation by Air Force Audit Agency (AFAA)																							◆	6/30	

**Environmental Liabilities
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Submit Assertion Package to the Executive Steering Committee (ESC)													◆	9/30											
Contract for Independent Public Accountant (IPA)														◆	3/31										
Assess																									
Audit																								◆	12/31
Air Force: Non-DERP																									
Based on non-DERP guidance to be published by OUSD(C), Air Force will implement revised business practices as necessary																									
USMC: Non-DERP	◆																								
Document processes / procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates																									
Revise policy based on OSD policy issue resolution / updated Financial Management Regulation (FMR) guidance																									
Update and recertify universe of EL candidate units, facilities, property and / or operations where environmental issues have been identified																									
Update / recertify environmental liability estimates																									
Document properly qualified supervisory review and approval of the liability estimates																									
Populate databank containing the inventory of all sites, their associated estimates, anticipated closure dates and costs, and cumulative costs incurred																									
Assess internal controls for liability estimation																									
Validation by internal audit																									
After receipt of OUSD (I&E) BT process model, databank containing the inventory of all sites reconciled to the Department's real property records																									

**Environmental Liabilities
Financial Improvement and Audit Readiness Plan
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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Contract for Independent Public Accountant (IPA) for Army CAMD							◆	6/30																
Assessment of Army CAMD Q3 for Fiscal Year 2007									◆	12/31														
Audit of Army CAMD Q4 for Fiscal Year 2007											◆	12/31												
Contract for Independent Public Accountant (IPA) for Army ACWA													◆	3/31										
Assessment of Army ACWA Q3 for Fiscal Year 2009															◆	6/30								
Audit of Army ACWA Q4 for Fiscal Year 2009																	◆	12/31						
Contract for Independent Public Accountant (IPA) for Navy Defense Environmental Restoration Program (DERP)											◆	6/30												
Assessment of Navy Defense Environmental Restoration Program (DERP) Q1 for Fiscal Year 2009													◆	12/31										
Audit of Navy Defense Environmental Restoration Program (DERP) Q4 for Fiscal Year 2009																	◆	12/31						
Contract for Independent Public Accountant (IPA) for Navy Non-DERP											◆	6/30												
Assessment of Navy Non-DERP Q1 for Fiscal Year 2009													◆	12/31										
Audit of Navy Non-DERP Q4 for Fiscal Year 2009																	◆	12/31						
Contract for Independent Public Accountant (IPA) for Navy BRAC PMO Defense Environmental Restoration Program (DERP)											◆	6/30												
Assessment of Navy BRAC PMO Defense Environmental Restoration Program (DERP) Q1 for Fiscal Year 2009													◆	12/31										
Audit of Navy BRAC PMO Defense Environmental Restoration Program (DERP) Q4 for Fiscal Year 2009																	◆	12/31						
Contract for Independent Public Accountant (IPA) for Navy BRAC PMO Non-DERP											◆	6/30												

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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Assessment of Navy BRAC PMO Non-DERP Q1 for Fiscal Year 2009													◆											
Audit of Navy BRAC PMO Non-DERP Q4 for Fiscal Year 2009																								
Contract for Independent Public Accountant (IPA) for Navy Nuclear and Conventional Ships and Submarines					◆																			
Assessment of Navy Nuclear and Conventional Ships and Submarines Q3 for Fiscal Year 2007							◆																	
Audit of Navy Nuclear and Conventional Ships and Submarines Q4 for Fiscal Year 2007											◆													
Contract for Independent Public Accountant (IPA) for Air Force Defense Environmental Restoration Program (DERP)															◆									
Assessment of Air Force Defense Environmental Restoration Program (DERP) Q4 for Fiscal Year 2009																◆								
Audit of Air Force Defense Environmental Restoration Program (DERP) Q4 for Fiscal Year 2009																								◆
Contract for Independent Public Accountant (IPA) for USMC Non-DERP											◆													
Assessment of USMC Non-DERP Q1 for Fiscal Year 2009															◆									
Audit of USMC Non-DERP Q4 for Fiscal Year 2009																								◆
Contract for Independent Public Accountant (IPA) for DLA DERP, Non-DERP, and BRAC												◆												
Assessment of DLA DERP, Non-DERP, and BRAC Q2 for Fiscal Year 2009															◆									
Audit of DLA DERP, Non-DERP, and BRAC Q4 for Fiscal Year 2009																								◆

Appendix K

Other Liabilities



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Other Liabilities
Financial Improvement and Audit Readiness Plan
December 2005

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	Other Liabilities Intragovernmental Key Milestones																																			
OUSD (C)	▶																																			
Review Assertion Package for DLA General Fund (GF)					◆																															
Review Assertion Package for DLA Working Capital Fund (WCF)					◆																															
Review Assertion Package for DLA Stockpile					◆																															
Review Assertion Package for USMC General Fund (GF)									◆																											
Review Assertion Package for Navy General Fund (GF)													◆																							
Review Assertion Package for Army General Fund (GF) Gross Liabilities													◆																							
Review Assertion Package for Navy Working Capital Fund (WCF)																	◆																			
Review Assertion Package for Army Working Capital Fund (WCF)																					◆															
Review Assertion Package for Army General Fund (GF) Net Liabilities																									◆											
Review Assertion Package for Air Force General Fund (GF)																													◆							
Review Assertion Package for Air Force Working Capital Fund (WCF)																													◆							
Army General Fund (GF)	▶																																			
Identify requirements to accurately record and report Other Gross Liabilities					◆																															

Other Liabilities
Financial Improvement and Audit Readiness Plan
December 2005

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014											
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4								
	Validate Gross Other Liabilities								◆ 9/30																																			
Submit Assertion Package to the Executive Steering Committee (ESC) for Gross Other Liabilities								◆ 9/30																																				
Validate Net Other Liabilities																				◆ 9/30																								
Submit Assertion Package to the Executive Steering Committee (ESC) for Net Other Liabilities																				◆ 9/30																								
Contract for Independent Public Accountant (IPA)																																												
Assess																																												
Audit (11/15/12)																																												
Army Working Capital Fund (WCF)									◆—————◆																																			
Identify requirements to accurately record and report Other Liabilities								◆ 9/30																																				
Implement auditable process to report Other Liabilities								◆ 9/30																																				
Validate												◆ 9/30																																
Develop Assertion Package												◆ 9/30																																
Submit Assertion Package to the Executive Steering Committee (ESC)																◆ 12/31																												
Contract for Independent Public Accountant (IPA)																																												
Assess																																												

Other Liabilities
Financial Improvement and Audit Readiness Plan
December 2005

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	Audit (11/15/10)																					◆														
Navy General Fund (GF)																																				
Complete discovery (processes, procedures, systems, controls)					◆																															
Document and develop standard operating procedures to address deficiencies					◆																															
Validate								◆																												
Submit Assertion Package to the Executive Steering Committee (ESC)								◆																												
Contract for Independent Public Accountant (IPA)												◆																								
Assess												◆																								
Audit (11/15/09)																																				
Navy Working Capital Fund (WCF)																																				
Complete discovery (processes, procedures, systems, controls)								◆																												
Validate												◆																								
Submit Assertion Package to the Executive Steering Committee (ESC)												◆																								
Contract for Independent Public Accountant (IPA)																◆																				
Assess																◆																				

**Other Liabilities
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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014							
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
	Contract for Independent Public Accountant (IPA)																									◆														
Assess																																								
Audit (11/15/13)																																								
USMC General Fund (GF)	◆																																							
Implement System Change Requests (SCRs)					◆																																			
Conduct Financial Management Training and Oversight					◆																																			
Validate									◆																															
Submit Assertion Package to the Executive Steering Committee (ESC)																																								
Contract for Independent Public Accountant (IPA)																																								
Assess																																								
Audit (11/15/09)																																								
DLA General Fund (GF)	◆																																							
Ensure Other Liabilities business system and accounting process cycles are in accordance with OSD business rules					◆																																			
Assess full implementation of published procedures																																								
Validate																																								

Other Liabilities
Financial Improvement and Audit Readiness Plan
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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	Submit Assertion Package to the Executive Steering Committee (ESC)				◆ 9/30																															
Contract for Independent Public Accountant (IPA)								◆ 3/31																												
Assess												◆ 9/30																								
Audit (11/15/08)																																				
DLA Working Capital Fund (WCF)	◆																																			
Ensure Other Liabilities business system and accounting process cycles are in accordance with OSD business rules				◆ 3/31																																
Assess full implementation of published procedures				◆ 9/30																																
Validate				◆ 9/30																																
Submit Assertion Package to the Executive Steering Committee (ESC)				◆ 9/30																																
Contract for Independent Public Accountant (IPA)								◆ 3/31																												
Assess												◆ 9/30																								
Audit (11/15/08)																																				
DLA Stockpile General Fund (GF)	◆																																			
Ensure Other Liabilities business system and accounting process cycles are in accordance with OSD business rules				◆ 3/31																																
Assess full implementation of published procedures				◆ 9/30																																

Other Liabilities
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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	Validate				◆ 9/30																															
Submit Assertion Package to the Executive Steering Committee (ESC)				◆ 9/30																																
Contract for Independent Public Accountant (IPA)								◆ 3/31																												
Assess								◆ 9/30																												
Audit (11/15/08)																◆ 12/31																				
DoD IG					◆																															
Contract for IPA for Army General Fund (GF)																																				
Assessment of Army General Fund (GF) Q4 for Fiscal Year 2011																																				
Audit of Army General Fund (GF) Q4 for Fiscal Year 2012																																				
Contract for Independent Public Accountant (IPA) for Army Working Capital Fund (WCF)																◆ 6/30																				
Assessment of Army Working Capital Fund (WCF) Q1 for Fiscal Year 2010																																				
Audit of Army Working Capital Fund (WCF) Q4 for Fiscal Year 2010																																				
Contract for Independent Public Accountant (IPA) for Navy General Fund (GF)												◆ 3/31																								
Assessment of Navy General Fund (GF) Q4 for Fiscal Year 2008																◆ 9/30																				
Audit of Navy General Fund (GF) Q4 for Fiscal Year 2009																																				

Other Liabilities
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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	Contract for Independent Public Accountant (IPA) for Navy Working Capital Fund (WCF)													◆	3/31																					
Assessment of Navy Working Capital Fund (WCF) Q4 for Fiscal Year 2009																	◆	9/30																		
Audit of Navy Working Capital Fund (WCF) Q4 for Fiscal Year 2010																					◆	12/31														
Contract for Independent Public Accountant (IPA) for Air Force General Fund (GF)																									◆	12/31										
Assessment of Air Force General Fund (GF) Q3 for Fiscal Year 2012																													◆	6/30						
Audit of Air Force General Fund (GF) Q4 for Fiscal Year 2013																																	◆	12/31		
Contract for Independent Public Accountant (IPA) for Air Force Working Capital Fund (WCF)																									◆	12/31										
Assessment of Air Force Working Capital Fund (WCF) Q3 for Fiscal Year 2012																													◆	6/30						
Audit of Air Force Working Capital Fund (WCF) Q4 for Fiscal Year 2013																																	◆	12/31		
Contract for Independent Public Accountant (IPA) for USMC General Fund (GF)													◆	12/31																						
Assessment of USMC General Fund (GF) Q3 for Fiscal Year 2008																													◆	6/30						
Audit of USMC General Fund (GF) Q4 for Fiscal Year 2009																													◆	12/31						
Contract for Independent Public Accountant (IPA) for DLA General Fund (GF)													◆	3/31																						
Assessment of DLA General Fund (GF) Q4 for Fiscal Year 2007																													◆	9/30						
Audit of DLA General Fund (GF) Q4 for Fiscal Year 2008																													◆	12/31						

Other Liabilities
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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
	Contract for Independent Public Accountant (IPA) for DLA Working Capital Fund (WCF)					◆			3/31																												
Assessment of DLA Working Capital Fund (WCF) Q4 for Fiscal Year 2007								◆	9/30																												
Audit of DLA Working Capital Fund (WCF) Q4 for Fiscal Year 2008																◆	12/31																				
Contract for Independent Public Accountant (IPA) for DLA Stockpile					◆			3/31																													
Assessment of DLA Stockpile Q4 for Fiscal Year 2007								◆	9/30																												
Audit of DLA Stockpile Q4 for Fiscal Year 2008																◆	12/31																				

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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
	Other Liabilities (Public) Key Milestones	▶																																			
OUSD(C)	▶																																				
Review Assertion Package for DLA General Fund (GF)					◆				12/31																												
Review Assertion Package for DLA Working Capital Fund (WCF)					◆				12/31																												
Review Assertion Package for DLA Stockpile					◆				12/31																												
Review Assertion Package for Army General Fund (GF)						◆			3/31																												
Review Assertion Package for USMC General Fund (GF)							◆		6/30																												
Review Assertion Package for Navy General Fund (GF)								◆	12/31																												
Review Assertion Package for Army Working Capital Fund (WCF)								◆	3/31																												
Review Assertion Package for Navy Working Capital Fund (WCF)												◆	12/31																								
Review Assertion Package for Air Force General Fund (GF)																																			◆	9/30	
Review Assertion Package for Air Force Working Capital Fund (WCF)																																			◆	9/30	
Army General Fund (GF)	▶																																				
Identify requirements to accurately record and report Other Liabilities					◆				6/30																												
Implement an auditable process for Other Gross Liabilities						◆			9/30																												

Other Liabilities
Financial Improvement and Audit Readiness Plan
December 2005

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	Validate Gross Liabilities					◆			12/31																											
Submit Assertion Package to the Executive Steering Committee (ESC)					◆			12/31																												
Contract for Independent Public Accountant (IPA)								◆	6/30																											
Assess									◆			12/31																								
Audit (11/15/08)													◆			12/31																				
Army Working Capital Fund (WCF)																																				
Identify requirements to accurately record and report Other Liabilities					◆			6/30																												
Implement Auditable Process to report Other Liabilities									◆			9/30																								
Validate									◆			9/30																								
Develop Assertion Package									◆			12/31																								
Submit Assertion Package to the Executive Steering Committee (ESC)									◆			12/31																								
Contract for Independent Public Accountant (IPA)													◆			6/30																				
Assess													◆			12/31																				
Audit (11/15/09)																	◆			12/31																
Navy General Fund (GF)																																				

Other Liabilities
Financial Improvement and Audit Readiness Plan
December 2005

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	Defense Enterprise Accounting Management System (DEAMS) Full Operational Capability (FOC) expected																	◆																		
Complete preparation of process documentation and data flow mapping and request internal validation from Air Force Audit Agency (AFAA)																					◆															
Internal validation completed by Air Force Audit Agency (AFAA)																									◆											
Submit Assertion Package to the Executive Steering Committee (ESC)																									◆											
Contract for Independent Public Accountant (IPA)																													◆							
Assess																													◆							
Audit (11/15/13)																																				
Air Force Working Capital Fund (WCF)																																				
Complete preparation of process documentation and data flow mapping and request internal validation from Air Force Audit Agency (AFAA)																									◆											
Internal validation completed by Air Force Audit Agency (AFAA)																													◆							
Submit Assertion Package to the Executive Steering Committee (ESC)																													◆							
Contract for Independent Public Accountant (IPA)																													◆							
Assess																																	◆			
Audit (11/15/13)																																				
USMC General Fund (GF)																																				

Other Liabilities
Financial Improvement and Audit Readiness Plan
December 2005

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	Conduct FM Training and Oversight		◆			3/31																														
Validate								◆	12/31																											
Submit Assertion Package to the Executive Steering Committee (ESC)								◆	3/31																											
Contract for Independent Public Accountant (IPA)									◆	9/30																										
Assess												◆	3/31																							
Audit (11/15/08)																◆	12/31																			
DLA General Fund (GF)	◆				◆				◆				◆				◆				◆				◆				◆				◆			
Ensure Other Liabilities business system and accounting process cycles are in accordance with OSD business rules		◆			3/31																															
Assess full implementation of published procedures								◆	9/30																											
Validate								◆	9/30																											
Submit Assertion Package to the Executive Steering Committee (ESC)								◆	9/30																											
Contract for Independent Public Accountant (IPA)									◆	3/31																										
Assess												◆	9/30																							
Audit (11/15/08)																◆	12/31																			
DLA Working Capital Fund (WCF)	◆				◆				◆				◆				◆				◆				◆				◆							

**Other Liabilities
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014							
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
	Ensure Other Liabilities business system and accounting process cycles are in accordance with OSD business rules	◆ 3/31																																						
Assess full implementation of published procedures					◆ 9/30																																			
Validate					◆ 9/30																																			
Submit Assertion Package to the Executive Steering Committee (ESC)					◆ 9/30																																			
Contract for Independent Public Accountant (IPA)					◆ 3/31																																			
Assess									◆ 9/30																															
Audit (11/15/08)													◆ 12/31																											
DLA Stockpile	◆				◆				◆				◆				◆				◆				◆				◆				◆							
Ensure Other Liabilities business system and accounting process cycles are in accordance with OSD business rules	◆ 3/31																																							
Assess full implementation of published procedures					◆ 9/30																																			
Validate					◆ 9/30																																			
Submit Assertion Package to the Executive Steering Committee (ESC)					◆ 9/30																																			
Contract for Independent Public Accountant (IPA)					◆ 3/31																																			
Assess									◆ 9/30																															
Audit (11/15/08)													◆ 12/31																											

Other Liabilities
Financial Improvement and Audit Readiness Plan
December 2005

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014						
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4			
	DoD IG	▶																																					
Contract for IPA for Army General Fund (GF)							◆	6/30																															
Assessment of Army General Fund (GF) Q1 for Fiscal Year 2007								◆	12/31																														
Audit of Army General Fund (GF) Q4 for Fiscal Year 2008												◆	12/31																										
Contract for IPA for Army Working Capital Fund (WCF)												◆	6/30																										
Assessment of Army Working Capital Fund (WCF) Q1 for Fiscal Year 2008													◆	12/31																									
Audit of Army Working Capital Fund (WCF) Q4 for Fiscal Year 2009														◆	12/31																								
Contract for IPA for Air Force General Fund (GF)																												◆	12/31										
Assessment of Air Force General Fund (GF) Q3 for Fiscal Year 2012																													◆	6/30									
Audit of Air Force General Fund (GF) Q4 for Fiscal Year 2013																														◆	12/31								
Contract for IPA for Air Force Working Capital Fund (WCF)																												◆	12/31										
Assessment of Air Force Working Capital Fund (WCF) Q3 for Fiscal Year 2012																													◆	6/30									
Audit of Air Force Working Capital Fund (WCF) Q4 for Fiscal Year 2013																														◆	12/31								
Contract for IPA for Navy General Fund (GF)												◆	3/31																										
Assessment of Navy General Fund (GF) Q4 for Fiscal Year 2008													◆	9/30																									

Other Liabilities
Financial Improvement and Audit Readiness Plan
December 2005

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
	Audit of Navy General Fund (GF) Q4 for Fiscal Year 2009																	◆																		
Contract for IPA for Navy Working Capital Fund (WCF)																					◆															
Assessment of Navy Working Capital Fund (WCF) Q4 for Fiscal Year 2009																					◆															
Audit of Navy Working Capital Fund (WCF) Q4 for Fiscal Year 2010																									◆											
Contract for IPA for USMC General Fund (GF)																																				
Assessment of USMC General Fund (GF) Q2 for Fiscal Year 2008																																				
Audit of USMC General Fund (GF) Q4 for Fiscal Year 2008																																				
Contract for IPA for DLA General Fund (GF)																																				
Assessment of DLA General Fund (GF) Q4 for Fiscal Year 2007																																				
Audit of DLA General Fund (GF) Q4 for Fiscal Year 2008																																				
Contract for IPA for DLA Working Capital Fund (WCF)																																				
Assessment of DLA Working Capital Fund (WCF) Q4 for Fiscal Year 2007																																				
Audit of DLA Working Capital Fund (WCF) Q4 for Fiscal Year 2008																																				
Contract for IPA for DLA Stockpile																																				
Assessment of DLA Stockpile Q4 for Fiscal Year 2007																																				

Other Liabilities
Financial Improvement and Audit Readiness Plan
December 2005

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014					
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
	Audit of DLA Stockpile Q4 for Fiscal Year 2008													◆	12/31																							

Appendix L

Accounts Payable



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**Accounts Payable
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Accounts Payable Key Milestones	▶																																			
OUSD (C)	▶																																			
Review Assertion Package for USMC								◆ 6/30																												
Review Assertion Package for DLA General Fund (GF), Working Capital Fund (WCF) and Stockpile								◆ 12/31																												
Review Assertion Package for Navy Working Capital Fund (WCF)								◆ 3/31																												
Review Assertion Package for Navy General Fund (GF)												◆ 12/31																								
Review Assertion Package for Army Working Capital Fund (WCF)												◆ 3/31																								
Review Assertion Package for Army General Fund (GF)																				◆ 3/31																
Review Assertion Package for Air Force General Fund (GF)																																				
Review Assertion Package for Air Force Working Capital Fund (WCF)																																				
Army General Fund (GF)	▶																																			
Establish process at field level entities to record Accounts Payable based on the receipt of goods or services				◆ 9/30																																
Recognize payables upon acceptance of title and estimate in the absence of an invoice				◆ 9/30																																
Identify requirements to accurately report Accounts Payable				◆ 9/30																																
Implement process to accurately eliminate intragovernmental payables																																				

**Accounts Payable
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014							
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
Validate																					◆																			
Submit the assertion package to the Executive Steering Committee (ESC)																									◆															
Contract for Independent Public Accountant (IPA)																													◆											
Assess																													◆											
Audit (11/15/12)																																								
Army Working Capital Fund (WCF)																																								
Establish process at field level units to record Accounts Payable based on the receipt of goods or services.									◆																															
Recognize payables upon acceptance of title and estimate in the absence of an invoice.									◆																															
Identify requirements to accurately report Accounts Payable													◆																											
Validate																	◆																							
Submit the assertion package to the Executive Steering Committee (ESC)																									◆															
Contract for Independent Public Accountant (IPA)																													◆											
Assess																													◆											
Audit (11/15/10)																																	◆							
Navy General Fund (GF)																																								
Develop capability in Power Track to record Travel & Transportation of Things Line Item related Accounts Payable																																								

**Accounts Payable
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Develop capability in Wide Area Work Flow (WAWF) to record Other Contractual Goods and Services Line Item related Accounts Payable					◆				12/31																											
Develop capability in Defense Travel System (DTS) to record Travel & Transportation of People Line Item related Accounts Payable					◆				12/31																											
Implement Power Track across applicable commands related to Travel & Transportation of Things Line Item									◆				12/31																							
Implement WAWF across applicable commands related to Other Contractual Goods and Services Line Item									◆				12/31																							
Implement DTS related to Travel & Transportation of People Line Item across Department of Navy (DON)									◆				12/31																							
Confirm auditable processes, procedures, and/or systems exist to eliminate intragovernmental AP transactions									◆				12/31																							
Complete discovery (identify processes, procedures, systems, internal controls)									◆				12/31																							
Validate													◆				6/30																			
Submit the assertion package to the Executive Steering Committee (ESC)																	◆				9/30															
Contract for Independent Public Accountant (IPA)																					◆				3/31											
Assess																					◆				9/30											
Audit (11/15/10)																									◆				12/31							
Navy Working Capital Fund (WCF)	◆																																			
Document business processes, identify systems, gather transactional data and evidential matter, and assess business process efficiency/effectiveness													◆				6/30																			
Identify internal control weaknesses, document newly discovered deficiencies, identify business process improvement opportunities, and assess system effectiveness/efficiency													◆				6/30																			

**Accounts Payable
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014											
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4								
Establish the effort for preparation of process documentation and data flow mapping			◆																																									
Complete preparation of process documentation and data flow mapping and request internal validation from AFAA																																												
Validate																																												
Submit the assertion package to the Executive Steering Committee (ESC)																																												
Contract for Independent Public Accountant (IPA)																																												
Assess																																												
Audit (11/15/13)																																												
USMC	◆																																											
Develop and Implement (SCR) of Detail Level Reports			◆																																									
Conduct FM Training and Oversight			◆																																									
Validate																																												
Submit the assertion package to the Executive Steering Committee (ESC)																																												
Contract for Independent Public Accountant (IPA)																																												
Assess																																												
Audit (11/15/08)																																												
DLA General Fund (GF), Working Capital Fund (WCF), and Stockpile	◆																																											

**Accounts Payable
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Perform data mining/cleansing					◆				3/31																											
DLA and DFAS perform self-assessment to determine if accounts payable line item is auditable. Implement changes as required					◆				3/31																											
Validate						◆			6/30																											
Submit the assertion package to the Executive Steering Committee (ESC)							◆		9/30																											
Contract for Independent Public Accountant (IPA)								◆	3/31																											
Assess									◆				9/30																							
Audit (11/15/09)															◆		12/31																			
DoDIG									◆—————◆																											
Contract for Independent Public Accountant (IPA) for Army General Fund (GF)																			◆		6/30															
Assessment of Army General Fund (GF) Q1 for Fiscal Year 2012																				◆	12/31															
Audit of Army General Fund (GF) Q4 for Fiscal Year 2012																												◆	12/31							
Contract for Independent Public Accountant (IPA) for Army Working Capital Fund (WCF)															◆		6/30																			
Assessment of Army Working Capital Fund (WCF) Q1 for Fiscal Year 2010																◆	12/31																			
Audit of Army Working Capital Fund (WCF) Q4 for Fiscal Year 2010																								◆	12/31											
Contract for Independent Public Accountant (IPA) for Navy General Fund (GF)															◆		3/31																			
Assessment of Navy General Fund (GF) Q1 for Fiscal Year 2009																◆	9/30																			

**Accounts Payable
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Audit of Navy General Fund (GF) Q4 for Fiscal Year 2009																					◆															
Contract for Independent Public Accountant (IPA) for Navy Working Capital Fund (WCF)									◆																											
Assessment of Navy Working Capital Fund (WCF) Q1 for Fiscal Year 2009													◆																							
Audit of Navy Working Capital Fund (WCF) Q4 for Fiscal Year 2009																	◆																			
Contract for Independent Public Accountant (IPA) for Air Force General Fund (GF)																									◆											
Assessment of Air Force General Fund (GF) Q3 for Fiscal Year 2012																													◆							
Audit of Air Force General Fund (GF) Q4 for Fiscal Year 2013																																	◆			
Contract for Independent Public Accountant (IPA) for Air Force Working Capital Fund (WCF)																													◆							
Assessment of Air Force Working Capital Fund (WCF) Q4 for Fiscal Year 2012																																	◆			
Audit of Air Force Working Capital Fund (WCF) Q4 for Fiscal Year 2013																																	◆			
Contract for Independent Public Accountant (IPA) for USMC									◆																											
Assessment of USMC Q2 for Fiscal Year 2008													◆																							
Audit of USMC Q4 for Fiscal Year 2008																													◆							
Contract for Independent Public Accountant (IPA) for DLA													◆																							
Assessment of DLA Q4 for Fiscal Year 2008																													◆							
Audit of DLA Q4 for Fiscal Year 2009																																	◆			

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Appendix M

Personnel Obligations

Note: The Defense Business Systems Management Committee (DBSMC) has made the decision to continue the Defense Integrated Military Human Resources System (DIMHRS) Program, however the DIMHRS program is being re-baselined and as a result the dates may change.



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**Personnel Obligations
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Personnel Obligations Key Milestones																				
OUSD (C)																				
Review Assertion Package for USMC	◆ 6/30																			
Review Assertion Package for Army	◆ 12/31																			
OUSD(P&R)	◆ 3/31																			
Provide clarifying guidance in the Financial Management Regulation (FMR) regarding a tri-annual review for MILPERS (Military Personnel).	◆ 3/31																			
Army																				
Military Pay																				
Active Duty																				
Implement Forward Compatibility Pay (FCP)	◆ 6/30																			
Develop guidance and process for sub allocation MILPAY (Military Pay) funds	◆ 6/30																			
Meet with DFAS to review newly published guidance in order to define the most effective means for accomplishing the new requirements for the tri annual review for MILPERS (Military Personnel)	◆ 6/30																			
Complete the Defense Integrated Military Human Resource System (DIMHRS) Initial Operating Capabilities (IOC)	◆ 6/30																			
Converting open allotment pay appropriation to specific Federal Supply Number (FSN)	◆ 9/30																			
Validation	◆ 9/30																			

**Personnel Obligations
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Submit the assertion package to the Executive Steering Committee (ESC)								◆ 9/30												
Contract for Independent Public Accountant (IPA)									◆ 3/31											
Assess												◆ 9/30								
Audit (11/15/09)																			◆ 12/31	
Navy	◆																			
Military Pay	◆																			
Active Duty	◆																			
Complete crosswalk for types and sub-types to lines of accounting (LOA) for Forward Compatibility Pay (FCP)		◆ 3/31																		
Develop guidance and process for sub allocation MILPAY (military pay) funds			◆ 6/30																	
Define the most effective means for accomplishing the new requirements for the tri annual review for MILPERS (Military Personnel)			◆ 6/30																	
Perform discovery process				◆ 9/30																
Convert open allotment pay appropriation to specific Federal Supply Number (FSN)				◆ 9/30																
Deployment for Defense Travel System (DTS)				◆ 9/30																
Complete the Defense Integrated Military Human Resource System (DIMHRS) Initial Operating Capabilities (IOC)							◆ 12/31													
Implement Forward Compatibility Pay (FCP)							◆ 12/31													
Implement corrective actions to discovery process											◆ 9/30									

**Personnel Obligations
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Validation											◆ 3/31									
Air Force	▬				▬															
Military Pay	▬				▬															
Active Duty	▬				▬															
Meet with DFAS to review newly published guidance in order to define the most effective means for accomplishing the new requirements for the tri annual review for MILPERS (Military Personnel)				◆ 6/30																
Deployment for Defense Travel System (DTS)								◆ 9/30												
Implement Air National Guard Order Writing System (AROWS)								◆ 12/31												
USMC	▬				▬				▬				▬							
Military Pay	▬				▬				▬				▬							
Active Duty	▬				▬				▬				▬							
Modify/Develop policies and procedures				◆ 3/31																
Complete management control assessable unit inventory				◆ 3/31																
Obtain systems documentation								◆ 6/30												
Complete implementation system change request of interface of Defense Travel System (DTS) to MCTFS for debt management								◆ 9/30												
Validation																				
								◆ 12/31												

**Personnel Obligations
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010							
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4				
Submit the assertion package to the Executive Steering Committee (ESC)							◆ 3/31																	
Contract for Independent Public Accountant (IPA)											◆ 9/30													
Assess											◆ 3/31													
Audit (11/15/08)															◆ 12/31									
IG, DoD									◆															
Contract for Independent Public Accountant (IPA) for Army											◆ 3/31													
Assessment of Army 4Q for Fiscal Year 2008															◆ 9/30									
Audit of Army 4Q for Fiscal Year 2009																			◆ 12/31					
Contract for Independent Public Accountant (IPA) for USMC											◆ 9/30													
Assessment of USMC 2Q for Fiscal Year 2008											◆ 3/31													
Audit of USMC 4Q for Fiscal Year 2008															◆ 12/31									

Appendix N

U.S. Marine Corps



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**United States Marine Corps
Financial Improvement and Audit Readiness Plan
December 2005**

Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
USMC Key Milestones	▶																				
OUSD (C)	▶																				
Review Assertion Package for Fund Balance With Treasury General Fund					◆				9/30												
Review Assertion Package for General Property, Plant, and Equipment (Real Property)									◆				3/31								
Review Assertion Package for General Property, Plant, and Equipment (Military Equipment -- Baseline)									◆				3/31								
Review Assertion Package for Accounts Payable													◆				6/30				
Review Assertion Package for Cash & Other Monetary Assets													◆				6/30				
Review Assertion Package for General Property, Plant, and Equipment (Personal Property)													◆				6/30				
Review Assertion Package for Obligations Incurred (Military Pay)													◆				6/30				
Review Assertion Package for General Property, Plant, and Equipment (Internal Use Software)													◆				6/30				
Review Assertion Package for Obligations Incurred (Procurement, Other)													◆				6/30				
Review Assertion Package for Obligations Incurred (Procurement, End Items)													◆				6/30				
Review Assertion Package for Accounts Receivable													◆				6/30				
Review Assertion Package for Obligations Incurred (Civilian Pay)													◆				6/30				
Review Assertion Package for Inventory and Related Property (OM&S) Working Capital Fund													◆				6/30				

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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Review Assertion Package for Other Liabilities Public General Fund							◆	6/30													
Review Assertion Package for Obligations Incurred (Miscellaneous)							◆	6/30													
Review Assertion Package for Other Liabilities Intragovernmental General Fund								◆	9/30												
Review Assertion Package for Inventory and Related Property (OM&S) General Fund								◆	9/30												
Review Assertion Package for Inventory and Related Property (Ammunition)								◆	9/30												
Review Assertion Package for Environmental Liabilities Non-Defense Environmental Restoration Program (non-DERP)									◆	3/31											
Review Assertion Package for General Property, Plant, and Equipment (Military Equipment -- Fully FASAB Compliant)															◆	3/31					
General Property, Plant and Equipment (Military Equipment)	◆-----◆																				
PMs provide OUSD(AT&L) updated ME asset delivery and disposal information from the date the initial valuation was performed through 9/30/05		◆	3/31																		
Quarterly update of asset accountability data for initial valuation, as applicable. (This is a quarterly reoccurring process until UID registry is operational).			◆	6/30																	
Independent limited scope validation by Navy Audit Service (NAS) of Baseline			◆	6/30																	
Submit the ME modified Assertion Package for Baseline (Financial and Quantity Data)							◆	12/31													
Issue Service-level directive to support the re-engineered process							◆	12/31													
Contract for Independent Public Accountant (IPA) -- Single contract for all Services								◆	3/31												
Assess -- Baseline								◆	6/30												

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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Audit -- Baseline									◆	9/30										
Increment 2 methodology valuations training (CAMS-ME)									◆	12/31										
Services responsible for contract level valuation - contingent on the OUSD(AT&L) deployment of CAMS-ME Increment 2.									◆	12/31										
Submit ME modified Assertion for the follow on audit of Updated Baseline (not a full package to the ESC)									◆	12/31										
Internal validation of Increment 2 completed by NAS -- Fully FASAB Compliant											◆	6/30								
Submit the Assertion Package to the ESC -- Fully FASAB Compliant													◆	12/31						
Follow-on Audit of Updated Baseline													◆	12/31						
Contract for IPA -- Fully FASAB Compliant															◆	6/30				
Assess -- Fully FASAB Compliant																	◆	9/30		
Audit -- Fully FASAB Compliant																			◆	12/31
General Property, Plant and Equipment (Personal Property)	◆																			
Perform Gap Analysis		◆	3/31																	
Pursue DPAS to SABRS interface		◆	3/31																	
Determine occurrence of proper identification, accountability and reporting activities for Capitalized Assets				◆	6/30															
Obtain system documentation				◆	6/30															

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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Implement DPAS to SABRS interface System Change Request			◆	6/30																	
Validate							◆	12/31													
Submit the Assertion Package to the Executive Steering Committee							◆	3/31													
Contract for Independent Public Accountant											◆	9/30									
Assess											◆	3/31									
Audit (11/15/08)															◆	12/31					
General Property, Plant, and Equipment (Internal Use Software)	◆—————◆																				
Complete Identification of Property Required Fields			◆	3/31																	
Complete implementation (System Change Request) of Detail Level Reports			◆	3/31																	
Develop Business Events Process Flows			◆	3/31																	
Obtain system documentation				◆	6/30																
Modify/Develop Policies and Procedures				◆	6/30																
Complete Management Control Assessable Unit Inventory				◆	6/30																
Conduct Financial Management Training and Oversight				◆	6/30																
Report on Marine Corps Financial Statements							◆	12/31													

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	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Validate					◆	12/31															
Submit the Assertion Package to the Executive Steering Committee						◆	3/31														
Contract for Independent Public Accountant									◆	9/30											
Assess											◆	3/31									
Audit (11/15/08)													◆	12/31							
General Property, Plant and Equipment (Real Property)	▶																				
Perform Gap Analysis		◆	3/31																		
Identify Out of Date or Incorrect References		◆	3/31																		
Military Real Property Transfer and Acceptance for all post 2005 assets are accounted for, accurate, and complete		◆	3/31																		
Obtain system documentation				◆	6/30																
Develop Standard Business Process and Standard Operating Procedures				◆	6/30																
Complete Discovery and Correction of Real Property Documentation Requirements and Procedures				◆	6/30																
Train Users				◆	6/30																
Complete reconciliation of preponderant user assets across General Fund and Working Capital Fund including DoD Agencies				◆	6/30																
Validate					◆	9/30															

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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Submit the Assertion Package to the Executive Steering Committee					◆				12/31												
Contract for Independent Public Accountant																					
Assess																					
Audit (11/15/08)																					
Fund Balance with Treasury (Fund Balance With Treasury) General Fund																					
Validate					◆				3/31												
Submit the Assertion Package to the Executive Steering Committee																					
Contract for Independent Public Accountant																					
Assess																					
Audit (11/15/08)																					
Inventory and Related Property (OM&S) General Fund																					
Develop/Modify OM&S policies and procedures					◆				3/31												
Complete implementation (System Change Request) interface of SABRS and Supported Activities Supply System					◆				3/31												
Obtain system documentation																					
Conduct Financial Management training and oversight																					

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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Validate							◆	3/31													
Submit the Assertion Package to the Executive Steering Committee							◆	6/30													
Contract for Independent Public Accountant											◆	12/31									
Assess												◆	6/30								
Audit (11/15/09)																				◆	12/31
Inventory & Related Property (Ammunition)	◆																				
Conduct Financial Management Training and Oversight		◆	3/31																		
Complete policies and procedures			◆	6/30																	
Obtain system documentation			◆	6/30																	
Migrate MAARS II to CAIMS-OIS				◆	9/30																
Validate							◆	3/31													
Submit the Assertion Package to the Executive Steering Committee								◆	6/30												
Report on Marine Corps Ammunition on Balance Sheet											◆	9/30									
Migration of Operating Materials and Supplies data from Supported Activities Supply System to Ground Combat Support System - Marine Corps											◆	12/31									
Contract for Independent Public Accountant											◆	12/31									

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	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Assess												◆ 6/30								
Audit (11/15/09)																				◆ 12/31
Inventory and Related Property (OM&S) Working Capital Fund				▶												▶				
Obtain system documentation		◆ 6/30																		
Validate						◆ 12/31														
Submit the Assertion Package to the Executive Steering Committee							◆ 3/31													
Contract for Independent Public Accountant								◆ 9/30												
Migration of Retail supply management data from Supported Activities Supply System to Global Combat Support System - Marine Corps										◆ 12/31										
Assess											◆ 3/31									
Audit (11/15/08)																◆ 12/31				
Accounts Receivable				▶												▶				
Conduct Financial Management training and oversight		◆ 3/31																		
Complete analysis of staffing, organizational structure core competencies and internal and external lines of communication		◆ 3/31																		
Implement (System Change Requests) detail level reports		◆ 3/31																		
Complete Business Events Process Flows		◆ 3/31																		

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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Complete Policies and Procedures		◆	3/31																	
Implement System Change Request Capability to Record at the Detail Level		◆	3/31																	
Complete Implementation System Change Request Interface of DTS to SABRS			◆	6/30																
Complete implementation (System Change Request) interface of MCTFS to SABRS			◆	6/30																
Obtain system documentation			◆	6/30																
Update for Standard Financial Information Structure/Business Enterprise Information Services SFIS/BEIS, DoD Auto. Addressing System (DODAAC), DAAS-C, and develop, test and implement common data exchange for trading partner issues			◆	6/30																
Validate						◆	12/31													
Submit the Assertion Package to the Executive Steering Committee							◆	3/31												
Contract for Independent Public Accountant									◆	9/30										
Assess											◆	3/31								
Audit (11/15/08)													◆	12/31						
Cash & Other Monetary Assets	◆																			
Obtain systems documentation			◆	6/30																
Validate						◆	12/31													
Submit the Assertion Package to the Executive Steering Committee							◆	3/31												

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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Contract for Independent Public Accountant									◆ 9/30												
Assess											◆ 3/31										
Audit (11/15/08)													◆ 12/31								
Environmental Liabilities (EL): Non-Defense Environmental Restoration Program (non-DERP)	◆—————◆																				
Document processes / procedures for creating, changing, reviewing, approving and liquidating environmental liability estimates	◆ 3/31																				
Revise policy based on OSD policy issue resolution / updated Financial Management Regulation (FMR) guidance		◆ 6/30																			
Update and recertify universe of EL candidate units, facilities, property and / or operations where environmental issues have been identified				◆ 9/30																	
Update / recertify environmental liability estimates				◆ 9/30																	
Document properly qualified supervisory review and approval of the liability estimates				◆ 9/30																	
Populate databank containing the inventory of all sites, their associated estimates, anticipated closure dates and costs, and cumulative costs incurred				◆ 9/30																	
Assess internal controls for liability estimation					◆ 12/31																
Validation by internal audit						◆ 3/31															
After receipt of OUSD (I&E) BT process model, databank containing the inventory of all sites reconciled to the Department's real property records						◆ 3/31															
Revise policy based on OSD policy issue resolution / updated FMR guidance								◆ 6/30													
Update / recertify universe of EL candidate units, facilities, property and / or operations, with environmental issues									◆ 9/30												

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	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Update / recertify EL estimates									◆											
Document properly qualified supervisory review and approval of the liability estimates									◆											
Validate Management Control Process									◆											
Complete Assertion Checklist									◆											
Prepare summary of validation work performed and explanation of management actions to resolve deficiencies									◆											
Submit Assertion Package to the Executive Steering Committee (ESC)											◆									
Contract for Independent Public Accountant (IPA)												◆								
Assess															◆					
Audit																				◆
Other Liabilities Intragovernmental General Fund	◆																			
Implement System Change Requests		◆																		
Conduct Financial Management Training and Oversight		◆																		
Validate								◆												
Submit the Assertion Package to the Executive Steering Committee											◆									
Contract for Independent Public Accountant												◆								

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	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Assess												◆ 6/30								
Audit (11/15/09)																				◆ 12/31
Other Liabilities Public General Fund																				
Conduct Financial Management Training and Oversight		◆ 3/31																		
Validate							◆ 12/31													
Submit the Assertion Package to the Executive Steering Committee							◆ 3/31													
Contract for Independent Public Accountant											◆ 9/30									
Assess											◆ 3/31									
Audit (11/15/08)																◆ 12/31				
Accounts Payable																				
Develop and Implement System Change Request of Detail Level Reports		◆ 3/31																		
Conduct Financial Management Training and Oversight		◆ 3/31																		
Validate							◆ 12/31													
Submit the Assertion Package to the Executive Steering Committee							◆ 3/31													
Contract for Independent Public Accountant											◆ 9/30									

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	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Assess											◆ 3/31									
Audit (11/15/08)															◆ 12/31					
Obligations Incurred (Military Pay)	◆																			
Modify/Develop Policies and Procedures		◆ 3/31																		
Complete Management Control Assessable Unit Inventory		◆ 3/31																		
Obtain system documentation			◆ 6/30																	
Complete implementation System Change Request of Interface of DTS to MCTFS for Debt Management				◆ 9/30																
Validate							◆ 12/31													
Submit the Assertion Package to the Executive Steering Committee							◆ 3/31													
Contract for Independent Public Accountant											◆ 9/30									
Assess											◆ 3/31									
Audit (11/15/08)															◆ 12/31					
Obligations Incurred (Civilian Pay)	◆																			
Develop Business Events Process Flows		◆ 3/31																		
Modify / Develop Policies and Procedures		◆ 3/31																		

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	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Complete Management Control Assessable Unit Inventory		◆	3/31																	
Obtain system documentation			◆	6/30																
Validate					◆	12/31														
Submit the Assertion Package to the Executive Steering Committee						◆	3/31													
Contract for Independent Public Accountant								◆	9/30											
Assess									◆	3/31										
Audit (11/15/08)													◆	12/31						
Obligations Incurred (Procurement, End Items)	◆—————◆																			
Obtain system documentation			◆	6/30																
Modify/Develop Policies and Procedures			◆	6/30																
Complete Management Control Assessable Unit Inventory			◆	6/30																
Complete implementation System Change Request of PR Builder Enhancements					◆	12/31														
Validate					◆	12/31														
Submit the Assertion Package to the Executive Steering Committee						◆	3/31													
Contract for Independent Public Accountant								◆	9/30											

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	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4			
Assess											◆ 3/31												
Audit (11/15/08)															◆ 12/31								
Obligations Incurred (Procurement, Other)	◆																						
Modify/Develop Policies and Procedures		◆ 3/31																					
Complete Management Control Assessable Unit Inventory		◆ 3/31																					
Obtain system documentation			◆ 6/30																				
Complete implementation System Change Request of PR Builder Enhancements				◆ 9/30																			
Validate							◆ 12/31																
Submit the Assertion Package to the Executive Steering Committee								◆ 3/31															
Contract for Independent Public Accountant											◆ 9/30												
Assess												◆ 3/31											
Audit (11/15/08)															◆ 12/31								
Obligations Incurred (Miscellaneous)	◆																						
Complete Management Control Assessable Unit Inventory		◆ 3/31																					
Develop Business Events Process Flows		◆ 3/31																					

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	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Obtain system documentation			◆	6/30																	
Complete implementation (System Change Request) of Web Orders PCS							◆	12/31													
Complete implementation of DTS							◆	12/31													
Complete implementation (System Change Request) of PR Builder Enhancements							◆	12/31													
Validate							◆	12/31													
Submit the Assertion Package to the Executive Steering Committee							◆	3/31													
Contract for Independent Public Accountant											◆	9/30									
Assess											◆	3/31									
Audit (11/15/08)															◆	12/31					
IG, DoD																					
Contract for Independent Public Accountant for General Property, Plant, and Equipment (Military Equipment -- Baseline) -- Contract for all Services							◆	3/31													
Assessment of General Property, Plant, and Equipment (Military Equipment -- Baseline) for Fiscal Year 2007								◆	6/30												
Audit of General Property, Plant, and Equipment (Military Equipment -- Baseline) for Fiscal Year 2007											◆	9/30									
Follow-on Audit of General Property, Plant, and Equipment (Military Equipment -- Baseline)															◆	12/31					
Contract for Independent Public Accountant for General Property, Plant, and Equipment (Military Equipment -- Fully FASAB Compliant)																			◆	6/30	

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	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Assessment of General Property, Plant, and Equipment (Military Equipment -- Fully FASAB Compliant) Q3 for Fiscal Year 2009																				◆ 9/30
Audit of General Property, Plant, and Equipment (Military Equipment -- Fully FASAB Compliant) Q4 for Fiscal Year 2009																				◆ 12/31
Contract for Independent Public Accountant for General Property, Plant, and Equipment (Personal Property)												◆ 9/30								
Assessment of General Property, Plant, and Equipment (Personal Property) Q2 for Fiscal Year 2008												◆ 3/31								
Audit of General Property, Plant, and Equipment (Personal Property) Q4 for Fiscal Year 2008																◆ 12/31				
Contract for Independent Public Accountant for General Property, Plant, and Equipment (Internal Use Software)												◆ 9/30								
Assessment of General Property, Plant, and Equipment (Internal Use Software) Q2 for Fiscal Year 2008												◆ 3/31								
Audit of General Property, Plant, and Equipment (Internal Use Software) Q4 for Fiscal Year 2008																◆ 12/31				
Contract for Independent Public Accountant for General Property, Plant, and Equipment (Real Property)												◆ 6/30								
Assessment of General Property, Plant, and Equipment (Real Property) Q1 for Fiscal Year 2008												◆ 12/31								
Audit of General Property, Plant, and Equipment (Real Property) Q4 for Fiscal Year 2008																◆ 12/31				
Contract for Independent Public Accountant for Fund Balance With Treasury General Fund								◆ 12/31												
Assessment of Fund Balance With Treasury General Fund Q3 for Fiscal Year 2007												◆ 6/30								
Audit of Fund Balance With Treasury General Fund Q4 for Fiscal Year 2008																◆ 12/31				
Contract for Independent Public Accountant for Inventory and Related Property (OM&S) General Fund												◆ 12/31								

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	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Assessment of Inventory and Related Property (OM&S) General Fund of Q3 for Fiscal Year 2008											◆	6/30								
Audit of Inventory and Related Property (OM&S) General Fund Q4 for Fiscal Year 2009																			◆	12/31
Contract for Independent Public Accountant for Inventory and Related Property (Ammunition)									◆	12/31										
Assessment of Inventory and Related Property (Ammunition) of Q3 for Fiscal Year 2008											◆	6/30								
Audit of Inventory and Related Property (Ammunition) Q4 for Fiscal Year 2009																			◆	12/31
Contract for Independent Public Accountant for Inventory and Related Property (OM&S) Working Capital Fund									◆	9/30										
Assessment of Inventory and Related Property (OM&S) Working Capital Fund of Q2 for Fiscal Year 2008											◆	3/31								
Audit of Inventory and Related Property (OM&S) Working Capital Fund Q4 for Fiscal Year 2008													◆	12/31						
Contract for Independent Public Accountant for Account Receivable									◆	9/30										
Assessment of Accounts Receivable Q2 for Fiscal Year 2008											◆	3/31								
Audit of Accounts Receivable Q4 for Fiscal Year 2008													◆	12/31						
Contract for Independent Public Accountant for Cash & Other Monetary Assets									◆	9/30										
Assessment of Cash & Other Monetary Assets Q2 for Fiscal Year 2008											◆	3/31								
Audit of Cash & Other Monetary Assets Q4 for Fiscal Year 2008													◆	12/31						
Contract for Independent Public Accountant for EL Non-DERP															◆	6/30				

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	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Assessment of EL Non-DERP Q1 for Fiscal Year 2009													◆ 12/31								
Audit of EL Non-DERP Q4 for Fiscal Year 2009																				◆ 12/31	
Contract for Independent Public Accountant for Other Liabilities Intragovernmental General Fund									◆ 12/31												
Assessment of Other Liabilities Intragovernmental General Fund Q3 for Fiscal Year 2008											◆ 6/30										
Audit of Other Liabilities Intragovernmental General Fund Q4 for Fiscal Year 2009																				◆ 12/31	
Contract for Independent Public Accountant for Other Liabilities Public General Fund									◆ 9/30												
Assessment of Other Liabilities Public General Fund Q2 for Fiscal Year 2008											◆ 3/31										
Audit of Other Liabilities Public General Fund Q4 for Fiscal Year 2008													◆ 12/31								
Contract for Independent Public Accountant for Accounts Payable									◆ 9/30												
Assessment of Accounts Payable Q2 for Fiscal Year 2008											◆ 3/31										
Audit of Accounts Payable Q4 for Fiscal Year 2008													◆ 12/31								
Contract for Independent Public Accountant for Obligations Incurred (Military Pay)									◆ 9/30												
Assessment of Obligations Incurred (Military Pay) Q2 for Fiscal Year 2008											◆ 3/31										
Audit of Obligations Incurred (Military Pay) Q4 for Fiscal Year 2008													◆ 12/31								
Contract for Independent Public Accountant for Obligations Incurred (Civilian Pay)									◆ 9/30												

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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Assessment of Obligations Incurred (Civilian Pay) Q2 for Fiscal Year 2008											◆	3/31								
Audit of Obligations Incurred (Civilian Pay) Q4 for Fiscal Year 2008															◆	12/31				
Contract for Independent Public Accountant for Obligations Incurred (Procurement, End Items)											◆	9/30								
Assessment of Obligations Incurred (Procurement, End Items) Q2 for Fiscal Year 2008											◆	3/31								
Audit of Obligations Incurred (Procurement, End Items) Q4 for Fiscal Year 2008															◆	12/31				
Contract for Independent Public Accountant for Obligations Incurred (Procurement, Other)											◆	9/30								
Assessment of Obligations Incurred (Procurement, Other) Q2 for Fiscal Year 2008											◆	3/31								
Audit of Obligations Incurred (Procurement, Other) Q4 for Fiscal Year 2008															◆	12/31				
Contract for Independent Public Accountant for Obligations Incurred (Miscellaneous)											◆	9/30								
Assessment of Obligations Incurred (Miscellaneous) Q2 for Fiscal Year 2008											◆	3/31								
Audit of Obligations Incurred (Miscellaneous) Q4 for Fiscal Year 2008															◆	12/31				

Appendix 0

DoD Business Enterprise Priority Capabilities



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BMMP Enterprise Transition Plan Capabilities:

Personnel Visibility	Acquisition Visibility	Common Supplier Engagement	Material Visibility	Real Property Accountability	Financial Value
Manage Personnel and Pay	Manage Acquisition Oversight Integration Conduct Program Management Monitor Commercial Request for DoD Technology Export	Manage Request	Perform Build, Make, Maintain and Sustainment	Real Property Inventory	Forecast, Plan, Program, and Budget
Administer Position Management		Manage Sourcing	Deliver Property and Forces	Real Property Acceptance	Manage General Ledger
Access Candidate		Manage Receipt and Acceptance	Dispose or Return Property and Materiel	Hazardous Materials Process Controls and Information Management	Manage Financial Assets and Liabilities
Manage Assignment and Placement and Transfer		Manage Payment	Perform Asset Accountability	Environmental Liabilities Identification and Valuation	Managerial Accounting
Manage Retirement and Separation					Financial Reporting
Manage Quality of Life and Morale, Welfare and Recreation					Funds Allocation, Collection, Control, and Disbursement
Manage Military Health Services					
Manage Benefits					
Manage Travel					

Source BMMP Enterprise Transition Plan Volume I, pg 31

Personnel Visibility Business Capabilities

Capability: Manage Personnel and Pay. This capability encompasses all functions associated with entry to/exit from the organization; profile record management; career development and management; execution of human resources policies, procedures, and employee information management; and administering, authorizing and calculating pay. This capability includes the following: accession, recruitment, strength management, placement and assignment, position fill management and classification, budget justification, resource utilization projections, adverse actions, time and attendance tracking, human resources reporting, education, training and development, competency management, performance review and administration (including the promotion process). This capability also includes pay administration and policy, leave calculation, annuitant and retirement pay, special pay and entitlements, pay authorization and calculation, pay adjustments, allotments, bonds, garnishments and offsets, Thrift Savings Plan calculation, payroll and tax reporting, travel pay and other reimbursables.

Capability: Administer Position Management. All capabilities associated with developing, analyzing and implementing position plans, managing strength levels against those plans . This includes integrating force structure requirements into personnel functions enabling proper utilization of Department of Defense human resources through structuring organizations validating organizations against budgetary constraints, establishing and allocating positions, and managing programs required to support strategic goals.

Capability: Access Candidate. This capability includes all activities associated with recruiting, identifying, evaluating, and selecting a candidate(s) to fill a position or organizational requirement. Personnel Visibility includes military recruiting (access) and civilian recruiting. Military Recruiting; Access: includes the establishment of the initial record in the Human Resources Management system. The scope of these activities range from receiving guidance and interpreting recruiting policy, programming resources, planning program execution and conducting recruiting operations (from initial identification and screening of potential prior service and non-prior service enlistees and officer candidates through initial processing at the Military Entrance Processing Stations and subsequent training locations (such as lead-in processing at Officer Candidate Schools, Basic Training, before the formal training begins)). This may consist of the use of incentives, bonuses and scholarships. Civilian recruiting includes the entire scope of recruiting to include accessions.

Capability: Manage Assignment and Placement and Transfer. All capabilities associated with assigning, placing against positions (e.g., planning and identifying placement requirements, determining candidate eligibility and suitability, providing placement advisory services, processing placement actions, etc.), and/or transferring Department of Defense members and employees.

Capability: Manage Retirement and Separation. This capability includes the actions associated with DoD terminating affiliation with accessed persons (e.g., military, civilian, coalition force members, volunteers, and contract personnel). It includes voluntary separation (e.g., resignations, contract completion), involuntary separation (e.g., adverse actions), civilian retirement, and death. It also includes identifying losses which are used to identify replacement needs, perform final out-processing functions (e.g., exit interview, travel arrangement), and document the termination of the specific affiliation.

Capability: Manage Quality of Life and Morale, Welfare and Recreation. This capability includes all actions associated with maintaining or improving a person's personal time opportunities, personal support infrastructure, and a person's dignity/rights in the work place. This includes supporting Morale, Welfare and Recreation (MWR); family support; and casualty assistance and social action programs.

Capability: Manage Military Health Services. This capability provides direction, resources, health care providers, eligibility, enrollment and other means necessary to promote the health of the DoD TRICARE beneficiary population. This includes developing and promoting health awareness issues to educate customers; discovering and resolving environmentally based health threats; providing health services, including preventive care and problem intervention; and improving the means and methods for

maintaining the health of the beneficiary population by constantly evaluating the performance of the health care services system.

Capability: Manage Benefits. This capability is associated with the management of benefits to support DoD Quality of Life programs. This activity also includes indirect compensation, wage supplements, indirect payments, and provision of Morale, Welfare, and Recreation Programs (including Chaplain programs, commissary, exchange, and other Non-Appropriated Fund (NAF) operations). This includes medical, dental, life and long-term insurance; pension/retirement; flexible spending; disability benefits; entitlements; benefits eligibility, including management of housing and educational benefits, enrollment and termination; tracking of health care administrators; savings management (Thrift/Bonds); and benefits reporting.

Capability: Manage Travel. This activity authorizes and documents all types of official travel (e.g. initial hire/first duty station travel, Temporary Duty (TDY) travel, and Permanent Duty Travel (PDT)). This includes verifying a travel authorization, required documentation, and traveler's eligibility and credentials (e.g., security clearance, passport, visa, foreign area clearance); initiating and finalizing travel requests and authorizations; gathering information necessary to create a travel authorization for individual or group travel; verifying funds availability; arranging travel accommodations (e.g., airlines, rental car, lodging); estimating travel costs; completing and issuing travel authorizations to the traveler and Financial Visibility to obligate funds; and capturing traveler visibility and related travel execution information needed to initiate the traveler's reimbursement.

Acquisition Visibility Business Capabilities

Capability: Manage Acquisition Oversight Integration. Manages the integration of acquisition oversight performed by DoD, Components, and congressional committees of defense programs to determine current status, ascertain if the requirements are achievable and/or require modification. These activities include capabilities based acquisition, periodic and ad-hoc reporting, acquisition assessments, and the associated activities for program management

Capability: Conduct Program Management. Manages the integration of acquisition oversight performed by DoD, Components, and congressional committees of defense programs to determine current status, ascertain if the requirements are achievable and/or require modification. These activities include capabilities based acquisition, periodic and ad-hoc reporting, acquisition assessments, and the associated activities for program management.

Capability: Monitor Commercial Requests for DoD Technology Export. Supports federal level review and resolution and provides DoD regulatory review and recommendation for commercial business request to export DoD technology. This includes munitions and dual use technologies.

Common Supplier Engagement Business Capabilities

Capability: Manage Request. The ability to process approved requirements, collect and analyze requirements, conduct market research, forecast demand, analyze spend data, develop or refine sourcing plan, identify agreement. (Maps to “Process Requirement” and “Develop Sourcing Strategy” activities in the BEA)

Capability: Manage Sourcing. The ability to establish sourcing vehicle with government services, create draft request for proposal, review request proposal, and establish sourcing vehicle. (Maps to “Execute Sourcing Strategy” activity in the BEA)

Capability: Manage Receipt and Acceptance. The ability to execute contract, receive goods and services, accept goods and services, administer contract, and monitor and improve process. (Maps to “Manage Sales and Procurement” activity in the BEA 3.0)

Capability: Manage Payment. The ability to calculate entitlement, and disburse funds. (Maps to “Calculate Entitlement” and “Manage Disbursements” activities in the Financial Visibility section of the BEA.)

Materiel Visibility Business Capabilities

Capability: Perform Build, Make, Maintain and Sustainment. Ability to develop, sustain, maintain, or upgrade property and equipment. (Maps to “Perform Build, Make, Maintain and Sustainment” activity in the BEA 3.0.)

Capability: Deliver Property and Forces. Ability to satisfy the needs of internal and external customers, as evidenced by orders (i.e. requisitions, purchase orders or contracts), by issuing or transporting forces, inventory and related materials or capital equipment. (Maps to “Perform Asset Accountability” activity in the BEA 3.0.)

Capability: Dispose or Return Property and Materiel. Ability to send goods and equipment back into the supply chain when they are received in error, in excess of required quantities, or defective, obsolete, damaged, or worn until rendered no longer useful in their current condition. It also includes the disposal of real property by demolition or transfer. (Maps to “Dispose or Return Property and Materiel” activity)

Capability: Perform Asset Accountability. Ability to record accountability and control for all property throughout its lifecycle, from when the government takes title to or possession of property until when formally relieved of accountability by authorized means. It establishes the responsibility imposed by law, lawful order, or regulation, accepted by the Department for keeping accurate records, to ensure control of property, with or without physical possession. (Maps to “Perform Asset Accountability” activity in the BEA 3.0.)

Real Property Accountability Business Capabilities

Capability: Real Property Inventory. The ability to electronically manage the DoD Real Property portfolio ubiquitously, 24x7 for both physical and fiscal attributes. Two discrete initiatives have been identified to fulfill this capability (e.g., Inventory

Requirements and Unique Identification); in addition, the inclusion of geospatial site depiction and reconciliation of legal and physical discrepancies are also addressed in fulfilling this capability.

Capability: Real Property Acceptance. The Department requires the ability to uniformly manage this first phase of the DoD real property life-cycle in accordance with the inventory requirements and acceptance business practices.

Capability: Environmental Liabilities Identification and Valuation. Directly supporting the DoD Enterprise Priority of Financial Visibility as well as Real Property Accountability, and especially given their significance (estimated at over \$64B), DoD requires the ability to prepare auditable and complete environmental liability estimates. This includes data capture; inventory recording, integration with core financial systems and linkage to real property assets where appropriate.

Capability: Hazardous Materials Process Controls and Information Management. This capability enables the Department to provide mission-specific controls for warfighter and business operations involving hazardous materials. In addition, the capability enables common product hazard data across the enterprise.

Financial Visibility Business Capabilities

Capability: Forecast Plan, Program, and Budget. Ability to develop, review, evaluate and support financial forecasts, plans, programs and budgets and to integrate them with appropriate performance indicators to achieve effective business operations and program goals.

Capability: Manage Financial Assets and Liabilities. Ability to identify, classify, value and manage financial (fiscal) assets to include accounts receivable and liabilities to include accounts payable from acquisition or inception to disposal or liquidation.

Capability: Managerial Accounting. Ability to accumulate, classify, measure, analyze, interpret and report cost and other financial information useful to internal and external decision makers reviewing the execution of an organization's program or project resources to ensure they are effectively being used to meet objectives.

Capability: Funds Allocation, Collection, Control, and Disbursement. Ability to control and distribute funds based on appropriation and authorization laws; monitor such funds against available balances for purpose, time and amount; collect funds; issue and track disbursements; and monitor cash position.

Capability: Manage General Ledger. Ability to record proprietary and budgetary GL transactions in accordance with Federal Accounting Standards Advisory Board (FASAB) standards, Generally Accepted Accounting Principles (GAAP), and regulatory requirements; to define the use of, and rules to, control GL accounts; and to conduct GL analyses and reconciliations.

Capability: Financial Reporting. Ability to provide relevant financial visibility and real-time information dashboards for DoD decision-makers and to summarize financial

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information for the purpose of producing mandatory reports in compliance with regulatory requirements and discretionary reports in support of other requirements.

Appendix P
OMB Circular A-123
Implementation and
Key Milestone Plan



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THE DEPARTMENT OF DEFENSE IMPLEMENTATION PLAN FOR OMB Circular A-123 APPENDIX A

An Overview of Appendix A Requirements

The Office of Management and Budget Circular A-123, “Management’s Responsibility for Internal Control,” Appendix A requires the Department to identify and review the key processes supporting its financial reports; identify risks and associated internal controls; and test controls. As a result of the tests, the Department must assert whether internal control over financial reporting is effective. The Circular also requires the Department to establish a senior assessment team (SAT) to oversee this process. Established on November 4, 2005, the SAT is chaired by the Principal Deputy Under Secretary of Defense, Comptroller and comprises representatives from the Principal Staff Assistants within the Office of the Secretary of Defense and the Military Departments. Detailed guidance for implementing this requirement was issued on November 8, 2005.

Incremental Implementation

For FY 2006, the Department is conducting internal control reviews for near-term focus areas and financial processes that have already received favorable audit results. These areas include:

- Fund Balance With Treasury
- Investments
- Military Equipment
- Real Property
- Environmental Liabilities
- Medicare-Eligible Retiree Health Care Fund Liabilities
- Federal Employee Compensation Act Liabilities
- Appropriations Received

Defense organizations that have yet to achieve favorable audit results will incrementally implement Appendix A. The responsibility for performing internal control reviews cascades down to the Military Departments and Defense agencies.

Appendix A and the Business Rules for Financial Improvement

The requirements of Circular A-123 align with the Business Rules for financial improvement already established by DoD and described in Chapter 1. The Circular requires organizations to identify key financial reports and describe the underlying processes through flowcharts and narratives. Using the flowcharts as process baselines, each organization identifies major risks and the controls in place to mitigate those risks. These activities align with the Discovery phase of the DoD Business Rules.

For controls that management believes are already functioning effectively, the Circular requires management to test those controls. This requirement aligns with the Validation phase, which requires Components to test and evaluate procedures. The testing

requirement of the Circular and the testing requirements of the Business Rules are essentially the same. Tests done for Appendix A may meet the Business Rules requirement and reasonably evidence that solutions are in place and are working. Conversely, tests done under Validation are useful tests for the Circular's requirements. Identified deficiencies will flow directly into each Military Department and Defense Agencies' Financial Improvement Plan and be aggregated into the FIAR Plan.

The Department emphasizes fixing processes and controls first so that they yield accurate and reliable numbers. Management can then use the results of control tests to assert for both internal control and financial statements. Appendix A requires management to prepare an assertion for internal control. This Appendix A requirement aligns with the requirement to assert to auditors as to the reliability and accuracy of information.

Value to Management

The processes of Appendix A ensure that DoD's leadership and Components are aware of major issues and fully involved in correcting material weaknesses. Implementation of Appendix A also includes tracking and monitoring Corrective Action Plans that address material weaknesses. Periodic review of internal controls ensures that both mitigating and preventative controls are regularly reviewed and strengthened. Full implementation improves DoD audit readiness.

The Corrective Action Plans capture needed changes and generate changes and improvements to the FIAR Plan. Corrective actions identified in the Discovery phase are included in the FIAR Plan and recognized by the Business Management Modernization Program. By having corrective actions captured and reported in multiple plans, the Department can confirm that all needed actions are consistently captured. Corrective actions reported to OMB are confirmed as being included in the FIPs.

Actions to date

Using the narratives, flowcharts, risks analyses, control tests, and statements of assurance from the Military Departments and Defense Agencies, the Department will prepare an overview of its internal control over financial reporting. The Department has undertaken a number of significant actions to implement the requirements of Appendix A, including the following:

- Determined material focus areas for internal control.
- Determined level of materiality.
- Established schedule of deliverables.
- Determined reporting responsibilities among DoD subcomponents.
- Issued guidance.
- Established a DoD Senior Assessment Team.
- Designed reporting forms and formats.

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The following schedule of major events shows the sequence of critical events necessary to implement Appendix A for the financial reporting processes selected for FY 2006.

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**Internal Controls
Financial Improvement and Audit Readiness Plan
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Corrective Actions By DoD Entity	2006				2007				2008				2009				2010				2011				2012				
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
A-123 Key Milestones																													
OUSD (C)																													
Complete DoD Process Cycles on Focus Areas/Other Material Lines (2/20/06)			◆	3/31																									
Complete DoD Risk Assessment (3/7/06)			◆	3/31																									
Complete DoD List of Internal Controls on Focus Areas/Other Material Lines (5/30/06)				◆	6/30																								
Develop DoD consolidated list of internal controls (6/30/06)				◆	6/30																								
Construct DoD consolidated documentation for report on internal control reviews (7/21/06)					◆	9/30																							
Prepare Report on Material Weaknesses in DoD Internal Controls (8/7/06)						◆	10/2																						
Develop DoD-wide Corrective Action Plan for Reported Material Weaknesses (8/7/06)						◆	10/2																						
Prepare A-123 Appendix A Statement of Assurance on Internal Controls over Financial Reporting (8/15/06)						◆	10/2																						
Components																													
Components complete risk assessments on focus areas due to DoD (2/1/06)			◆	3/31																									
Components complete list of internal controls on focus areas due to DoD (3/20/06)			◆	3/31																									
Components complete reviews of internal controls on focus areas and submit reports to DoD (6/30/06)				◆	6/30																								

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Appendix Q

FIAR Committee Charter



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**DEPARTMENT OF DEFENSE
FINANCIAL IMPROVEMENT AND
AUDIT READINESS COMMITTEE**

CHARTER

Mission and Purpose

1. The Financial Improvement and Audit Readiness Committee is established to further improve Financial Management within the Department of Defense (DoD) in support of the Warfighter. This Committee will support the integration of financial management requirements within the financial community that enable change in the Financial Management Core Business Mission Area (FM CBMA). The Committee will pursue meaningful and sustainable Financial Management improvements within the broader context of DoD Business Transformation and will coordinate its activities with the Financial Management Transformation Team (FMTT).
2. The Committee will provide advice and recommendations to the Under Secretary of Defense (Comptroller) (USD(C)) and Deputy Under Secretary of Defense (Financial Management) (DUSD(FM)) on opportunities to prioritize, integrate and manage efforts to improve financial management and achieve audit readiness. Management of these improvements will employ a federated approach that identifies enterprise requirements and recognizes unique Component-level execution and implementation plans. Improvements will focus on human capital requirements, policies, processes, controls, systems, organizational structures, and validation audits.
3. The overall goal of the Committee is to advise the USD(C) and DUSD(FM) on ways to optimize Financial Management improvement efforts by effectively identifying targets and recommending corrections to the appropriate change agents, including stakeholders within the financial community, those in the CBMA and the broader Business Mission Area, and across other mission areas.

Committee Responsibilities

1. Advise the USD(C), DUSD(FM) and FMTT on strategic recommendations for financial management improvement and transformation.
2. Advise the USD(C), DUSD(FM) and FMTT on recommended priorities for financial improvement, including changes in human capital requirements, policies, processes, controls, systems, organizational structures, and audits.
3. Review ongoing transformation within the Financial Community and identify opportunities for collaborative efforts and collectively identify candidates for DoD enterprise level change.
4. Advise the USD(C), DUSD(FM) and FMTT on priorities for implementing the Office of Management and Budget (OMB) Circular A-123 requirements for Internal Controls

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and provide advice on solutions to systemic control deficiencies identified through the control reviews.

5. Recommend measurable goals and objectives and meaningful metrics for evaluating progress toward improvement. Existing metrics should be used whenever possible.
6. Participate in developing and managing the comprehensive DoD Financial Improvement and Audit Readiness (FIAR) Plan. Ensure that the FIAR Planning Tool incorporates:
 - Component Financial Improvement Plans aligned to financial statements and reflecting estimated audit assertion dates and resource requirements.
 - Enterprise FM Initiatives
 - FM CBMA Initiatives
 - Implementation plans for the Internal Control requirements of OMB Circular A-123.
7. Assist the Deputy Chief Financial Officer (DCFO) in executing a comprehensive Change Management and Communications Strategy.
8. As needed, establish and charter workgroups, task forces or subcommittees to address specific Financial Management Transformation (FMT) improvement issues and challenges.
9. As needed, invite experienced experts and knowledgeable individuals from other federal agencies and industry to recommend best practices.
10. Review this charter annually or when requested by a Committee member.

Committee Membership and Members' Responsibilities

1. Committee membership and attendance is for principals only and consists of:
 - Deputy Chief Financial Officer--Serves as the Committee Chair
 - Director, Financial Improvement and Audit Readiness Directorate, OUSD(C)--Serves as the Vice-Chair
 - Director, Accounting and Finance Policy and Analysis, OUSD(C)
 - Director, Financial Management Transformation Team Office, OUSD(C)
 - Director, Revolving Funds, OUSD(C)
 - Deputy Assistant Secretary of the Army for Financial Operations
 - Director, Financial Management Operations, ASN(FM&C)
 - Deputy Assistant Secretary of the Air Force for Financial Operations (Financial Management)
 - Comptroller, Defense Logistics Agency
 - Director for Accounting Services, Defense Finance and Accounting Service
 - Assistant Inspector General, Defense Financial Auditing Service (DFS), DoD, Office of the Inspector General--Advisory Member
 - Comptrollers from other Defense Agencies and Field Activities will be provided minutes of meetings and will be periodically invited to attend.

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2. The Chair will:
 - Preside at meetings.
 - Approve the agenda and minutes for each meeting.
 - Periodically report progress to the USD(C) and DUSD(FM).
 - As appropriate, coordinate with committee members within typical limited time constraints FMT related testimony and presentations to the Congress and their staffs, presentations to the Office of Management and Budget, responses to the Office of the Inspector General, and Government Accountability Office. The Chair will also share the outcome of such meetings and presentations.
3. The Vice-Chair will perform the duties of the Chair, when the Chair is not present.
4. Members will:
 - Champion the DoD FIAR Vision, Goals and Objectives within their Components.
 - Fulfill Committee member responsibilities.
 - Identify and nominate agenda items and issues for consideration.
 - Represent their organizations' positions during meetings.
 - Communicate Committee activity within their organizations.
 - Execute actions and tasks as agreed to by the committee.
5. Members will seek to achieve consensus on decisions, recommendations, prioritization of initiatives, and other matters. When consensus is not achieved, the Chair or Vice Chair will present the alternatives to the USD(C) for resolution or decision. The results of this process will be shared with the Committee as soon as possible after decision or resolution is reached.

Meeting Frequency and Location

1. Meetings will be held monthly on the first Thursday of each month at 1:00 PM to 2:30 PM. Additional meetings will be held as needed and as requested by the Chair, Vice Chair and when requested by any member of the Committee.
2. The meetings will be held in the Pentagon and hosted by the OUSD(C) and the Military Departments on a rotational basis.

Approved By:  Date: JUL 17 2005
Robert J. Henke, PDUSD(C)

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Appendix R

Abbreviations and Acronyms



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ASD	Assistant Secretary of Defense
BRAC	Base Realignment and Closures
BEA	Business Enterprise Architecture
BEIS	Business Enterprise Information Services and Intragovernmental Transactions Initiatives
BEP	Business Enterprise Priority
BMMP	Business Management Modernization Program
COTS	Commercial-Off-The-Shelf
CBM	Core Business Mission
CEFMS	Corps of Engineers Financial Management System
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
CIP	Construction In Progress
DAE	Defense Acquisition Executive
DBSMC	Defense Business Systems Management Committee
DCAS	Defense Cash Accountability System
DCFO	Deputy Chief Financial Officer
DEAMS	Defense Enterprise Accounting Management System
DepSecDef	Deputy Secretary of Defense
DERP	Defense Environmental Restoration Program
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
DCAS	Defense Property Accounting System
DoD	Department of Defense
DUSD(FM)	Deputy Under Secretary of Defense (Financial Management)
ECSS	Expeditionary Combat Support System
ETP	Enterprise Transition Plan
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance With Treasury
FIAR	Financial Improvement and Audit Readiness
FIAR-PT	Financial Improvement and Audit Readiness Planning Tool

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FIP	Financial Improvement Plan
FV BEP	Financial Visibility Business Enterprise Priority
FMTT	Financial Management Transformation Team
FY	Fiscal Year
GAO	Government Accountability Office
GFEBs	General Fund Enterprise Business System
GF	General Fund
GL	General Ledger
GPP&E	General Property, Plant and Equipment
IG, DoD	Inspector General of the Department of Defense
IT	Information Technology
IGT	Intragovernmental Transactions
IUD	Item Unique Identification
IUS	Internal Use Software
KMP	Key Milestone Plan
LMP	Logistics Modernization Program
MDA	Missile Defense Agency
MERHCF	Medicare-Eligible Retiree Health Care Fund
MEV	Military Equipment Valuation
MHPI	Military Housing Privatization Initiative
MTF	Medical Treatment Facilities
MV BEP	Materiel Visibility Business Enterprise Priority
ODO	Other Defense Organization
OM&S	Operating Material and Supplies
OMB	Office of Management and Budget
OSD	Office of the Secretary of Defense
PSA	Principal Staff Assistant
PP&E	Property, Plant and Equipment
RCRA	Resource Conservation and Recovery Act
RPIR	Real Property Inventory Requirements

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SMA	Service Medical Activities
SARA	Superfund Amendment and Reauthorization Act
SD	Secretary of Defense
SFIS	Standard Financial Information Structure
TMA	TRICARE management Activity
UID	Unique Identifier
USA	United States Army
USAAA	United States Army Audit Agency
USACE	United States Army Corps of Engineers
USAF	United States Air Force
USD(AT&L)	Under Secretary of Defense (Acquisition, Logistics and Technology),
USD(C)	Under Secretary of Defense (Comptroller)
USD(P&R)	Under Secretary of Defense (Personnel and Readiness)
USMC	United States Marine Corps
USN	United States Navy
WAWF	Wide Area Work Flow
WCF	Working Capital Fund