

2. FIAR GOAL, PRIORITIES, AND STRATEGY

2.A FIAR GOAL

The Financial Improvement and Audit Readiness (FIAR) Goal is to improve the Department's financial management operations, helping provide America's Service men and women with the resources they need to carry out their mission and improving our stewardship of the resources entrusted to us by the taxpayers. Success will be demonstrated through a financial statement audit performed by independent auditors resulting in an unqualified audit opinion on the Department's financial statements.

2.B PRIORITIES

The OUSD(C) established the current FIAR priorities on August 11, 2009. Before establishing the Department's priorities, the OUSD(C) coordinated them with the Deputy Secretary of Defense, reporting entities, Department of Defense Office of the Inspector General (DoD OIG), Office of Management and Budget (OMB), Government Accountability Office (GAO), and Congress, who approved, endorsed or acknowledged these priorities.

The OUSD(C) priorities are designed to achieve the FIAR objectives. These priorities are:

- budgetary information, and
- mission critical asset information.

The OUSD(C) also directed the reporting entities to modify and regularly update their Financial Improvement Plans (FIPs) to achieve these objectives and priorities.

2.B.1 Budgetary Information

The Department's major financial decisions are based on budgetary data (e.g., status of funds received, obligated, and expended). As a result, the first OUSD(C) priority focuses on process improvements, controls, and systems that produce budgetary information. The starting point for achieving auditable financial statements is the Statement of Budgetary Resources (SBR), specifically the Appropriations (discretionary and mandatory) line item. By focusing improvement efforts on budgetary information and the SBR, the Department will be able to:

- Improve the visibility of budgetary transactions resulting in more effective use of resources;
- Provide for operational efficiencies through more readily available financial information;
- Improve fiscal stewardship (ensures that funds appropriated, expended and recorded are reported accurately, reliably and timely); and
- Improve budget processes and controls (precludes Antideficiency Act violations).

2.B.2 Mission Critical Asset Information

The second priority focuses improvement and audit readiness efforts on information that is essential to the effective management of the Department's mission critical assets. For purposes of this priority, mission critical assets are:

- Real Property (RP) (e.g., land, buildings, structures, construction in progress, facilities),
- Inventory (INV) (e.g., rations, supplies, spare parts, fuel),
- Operating Materiel and Supplies (OM&S) (e.g., ammunition, munitions, missiles), and
- **General Equipment (e.g., ships, aircraft, combat vehicles, material handling equipment, training equipment, special tooling, and special test equipment).**

Financial management information necessary for the management of the Department's mission critical assets is also required to support future financial statement audits. This financial management information includes:

- Individual Item Identifier (e.g., unique item identifier, aircraft bureau number, ship number, and real property unique identifier),
- Category/Asset Type (e.g., aircraft – airlift fixed-wing),
- Location (e.g., military installation/organization),
- Operational Status (e.g., active, closed, disposed),
- Item Description (e.g., building headquarters, base library), and
- Controlling/Financial Reporting Organization (e.g., Air Force, Defense Logistics Agency).

This information, as well as other management and financial information, is recorded in official systems of record, which are referred to as “Accountable Property Systems of Record” (APSRs). Ensuring that asset accountability and important management information relevant to mission critical assets is accurately recorded in each reporting entity's APSRs is the objective of this priority. Please see the FIAR Guidance website for the [Existence and Completeness Financial Management Data Fields Definitions and Supporting Documentation requirements](#) document.

Accomplishing this priority will improve important management information about mission critical assets and move the Department closer to achieving financial statement auditability and reliable financial information. The existence and completeness (E&C) of assets are two of the four financial statement assertions that financial statement auditors will test in Wave 3. **Reporting entities must ensure that all assets recorded in their APSRs, general ledgers and financial statements exist (Existence), all of the reporting entities' assets are recorded in their APSRs, general ledgers and financial statements (Completeness), reporting entities have the right to report all assets (Rights) and assets are consistently categorized, summarized and reported period to period (Presentation and Disclosure).** The fifth financial statement assertion, Valuation, will not be addressed until Wave 4.

2.B.3 Working Capital Funds

DoD Working Capital Funds (WCFs) operate under a different business model than DoD general funds. WCFs operate similar to commercial businesses, charging customers in exchange for providing goods and services. In recognition of this different operating model, the Department has established a different audit readiness prioritization for the WCFs. While the same FIAR Methodology activities must be executed, resulting in the preparation of the same FIAR Methodology work products, the prioritization of efforts should center on WCF's proprietary view of business operations.

As WCFs are primarily financed by exchange revenue (instead of appropriations for general funds), WCFs typically use proprietary (rather than budgetary) information to manage their operations. Since the Department's audit readiness strategy includes focusing on improving information most used by decision makers managing the Department's operations and executing the mission, WCFs should prioritize their audit readiness efforts on proprietary information first. Specifically, WCFs should identify and define their assessable units using the balance sheet or statement of net cost (revenue and/or expenses). For example, a WCF typically has various “lines of service”, or “lines of business” so it likely would want to align its business model to form assessable units along those same lines of service/business.

In recognition of this proprietary focus, WCFs are not subject to the examination of the Schedule of Budgetary Activity (see section 3.D.2 for more information on the SBA examination) deadline that applies to general funds. WCFs should work toward asserting full financial statement audit readiness by the Department-wide FY 2017 deadline. However, in instances where a WCF activity supports or impacts the financial reporting or control environment of a general fund reporting entity, the WCF must ensure that it provides requisite audit readiness support to the general fund enabling it to meet its applicable audit readiness deadlines. The following guidance provides further details supporting WCF financial improvement and audit readiness goals within the time constraints prescribed by the Department for material reporting entities.