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- ✧ May 8 – ODO Subcommittee meets
- ✧ May 14 – FIAR Subcommittee Meets
- ✧ May 15 – FIAR Plan Status Report Due to Congress
- ✧ May 28 – FIAR Committee Meets

Connect

- ✧ Join the FIAR Group on milBook at the CAC-enabled site <https://www.milSuite.mil/book/groups/fiar>
- ✧ Visit the FIAR Directorate's website for links to FIAR Guidance and other tools, including past issues of Defense Audit Readiness News
- ✧ Become a FIAR Planning Tool user by emailing FIARsupport@osd.mil

This month, we will publish the May 2013 FIAR Plan Status Report. This is the 15th FIAR Report the Department has issued, and, as always, it has been a team effort, months in the making. Every reporting entity—from the smallest Defense organization to the 3 Military Departments, the service providers and the Defense Agencies—all report their audit readiness status and progress. It's through the FIAR Report that the Department gives Congress and the public the big picture of what you are doing every day to help us meet our audit readiness goals. What's not as obvious, but more important, is that you are also changing the way we do business, and those changes are making a difference in getting more value from our limited program dollars.

This month's Defense Audit Readiness News presents your stories. In addition to an article on the accomplishments listed in the May 2013 FIAR Report, we have two articles written by guest authors, both from the Army: William Roberts, the director of Army General Fund audit readiness, and Jennifer Miller, a financial manager at Fort Bragg. If you have an idea for an article, or would like to write one for future publication so that we can share with our extended community of interest, please let us know.

As always, thank you for all of your hard work, and Keep Charging! Only seventeen months to go!

*Mark Easton
Deputy Chief Financial Officer*

✧ **Highlights of the May 2013 FIAR Plan Status Report**

The Department tracks audit readiness progress in several ways, including financial statement audit opinions, audit readiness validated by the DoD Inspector General (IG) or independent public accounting (IPA) firm examinations, and audit readiness assertions. Since the November 2012 FIAR Report, six DoD reporting organizations received unqualified audit opinions on their FY 2012 financial statements:

- U. S. Army Corps of Engineers – Civil Works
- Defense Commissary Agency
- Defense Contract Audit Agency
- Defense Finance and Accounting Service
- TRICARE Management Activity – Contract Resource Management
- Military Retirement Fund

Additionally, three DoD reporting organizations received four qualified opinions:

- Defense Information Systems Agency
 - Working Capital Fund
 - General Fund
- Office of the Inspector General
- Medicare-Eligible Retiree Health Care Fund

The following chart shows audit readiness validation examinations completed by the DoD IG or an IPA since the November 2012 FIAR Plan Status Report and the outcome. A full listing of examinations and assertions, including those in sustainment, can be found in each issue of the FIAR Report.

DoD Component	Audit Readiness Assertions	Examination Status
Statement of Budgetary Resources		
Army	GFEBs 9 Business Processes at 10 Installations and DFAS	Examination Complete – Additional Corrective Actions Needed
Navy	Civilian Pay	Examination Complete – Unqualified Opinion
Navy	Transportation of People	Examination Complete – Unqualified Opinion
Defense Logistics Agency	Appropriations Received	Mock Audit Complete – Audit Ready with Findings
Chemical Biological Defense Program	Appropriations Received	Mock Audit Complete – Audit Ready with Findings
Defense Advanced Research Projects Agency	Appropriations Received	Mock Audit Complete – Audit Ready with Findings
Service Medical Activity	Appropriations Received	Mock Audit Complete – Audit Ready with Findings
TRICARE Management Activity	Appropriations Received	Mock Audit Complete – Audit Ready with Findings
Defense Technical Information Center	Appropriations Received	Mock Audit Complete – Audit Ready with Findings
Defense Contract Management Agency	Appropriations Received	Mock Audit Complete – Audit Ready with Findings
U.S. Special Operations Command	Appropriations Received	Mock Audit Complete – Audit Ready with Findings
Defense Security Cooperation Agency	Appropriations Received	Mock Audit Complete – Audit Ready with Findings
Defense Threat Reduction Agency	Appropriations Received	Mock Audit Complete – Audit Ready with Findings
Department of Defense Education Activity	Appropriations Received	Mock Audit Complete – Audit Ready with Findings
Missile Defense Agency	Appropriations Received	Mock Audit Complete – Audit Ready with Findings
Washington Headquarters Service	Appropriations Received	Mock Audit Complete – Audit Ready with Findings
Mission Critical Asset Existence and Completeness		
Army	OM&S – 3 Missile Types	Examination Complete – Qualified Opinion
Air Force	OM&S - Missile Motors	Examination Complete – Unqualified Opinion
Air Force	OM&S - Spare Engines	Examination Complete – Qualified Opinion

In addition to the high-level overview in the Executive Summary, the May 2013 FIAR Report includes sections on the Military Departments, other Defense organizations, service providers, and Enterprise Resource Planning Systems. The full report will be available on the FIAR website beginning May 15.

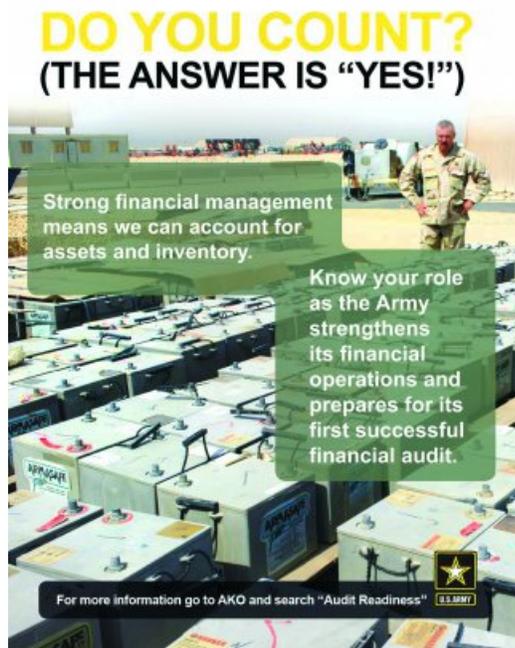
❖ **Audit Readiness: Sustaining the Army's Strength**

William Roberts, Director of General Fund Audit Readiness, OASA (FM&C), Excerpted from the Army Sustainment magazine, May-June 2013

A hand-receipt holder signs off on an inaccurate physical inventory of his property books. A supply technician authorizes property movement without authority. A property book office cannot produce supporting documents for transactions conducted within its organization. A unit does not maintain an updated command supply discipline program.

What do all of these scenarios have in common? They stand in the way of the Army achieving its first clean audit opinion. Having a clean audit opinion means that the auditor did not have any significant reservations about information contained in the organization's financial statements.

Every time Army personnel order, move, or use equipment and supplies, they have an impact on the Army's financial statements. All Army personnel may not understand how asset management at the installation level affects the Army's financial statements, but that is about to change.



The Plan to Achieve Audit Readiness

Under the leadership of the Assistant Secretary of the Army (Financial Management and Comptroller), the Army is focusing on the following three priorities to achieve an auditable state:

- Improving the budget execution processes that affect the statement of budgetary resources.
- Verifying the existence and completeness (E&C) of mission-critical assets and asset records.
- Maximizing the investment in enterprise resource planning systems, such as the Global Combat Support System-Army.

In preparation for the Army E&C assertion in December 2013, audit readiness teams are visiting Army, Army National Guard, and Army Reserve organizations and installations. The teams are documenting business processes, testing internal controls

on processes that contribute information to the financial statements, and providing corrective actions to address weaknesses within the processes. Audit readiness teams coordinate with internal review, supervisory auditor, mission support element, G-4/S-4, and directorate of logistics offices to arrange site visits and implement and report corrective actions.

Property accountability inefficiencies at the local level compound to create material weaknesses across the Army and prevent the creation of reliable and accurate financial statements. Without an accurate understanding of our resources, we cannot properly plan for the future and we have more difficulty justifying funding from Congress.

The Army must be able to prove it is a responsible steward of taxpayer dollars through a financial audit. As mentioned, Congress is considering penalties that include withholding funds for weapon systems if the Army cannot obtain a clean audit opinion of its books.

Key Improvement Areas

At the more than 150 installations and locations maintaining Army property, improvements to internal controls should be made in physical inventory accuracy, property lifecycle transaction completion, standard operating procedures, quality assurance reviews, and warehouse safeguarding.

- Physical Inventory Accuracy. Accurate physical inventory of assets and complete transaction documentation ensure that asset records accurately depict a unit's property and that the Army has assurance of its assets.
- Property Lifecycle Transaction Completion. Accurate, complete, and authorized property movement ensures recorded transactions represent actual events, reducing the Army's exposure to loss of assets and potential misstatements.
- SOP Documentation. Documenting policies and procedures of the organization in a standard operating procedure (SOP) ensures consistency in proper classification and accounting principles from period to period.
- Quality Assurance Reviews. Quality control programs ensure the accuracy of property records during periods of time between inventories.
- Warehouse Safeguarding. The use of appropriate safeguarding ensures controlled access to assets, critical forms, records, processing, and storage areas. It also provides greater certainty that recorded assets exist on a given date.

Audit Readiness Support and More Information

The audit readiness team has developed a suite of resources to ensure commands and installations are following business processes to audit-ready standards, including training, an audit readiness site on AKO, an audit readiness command and installation guide, and the Army's Financial Improvement Plan.

For more detail on the key improvement areas as well as information on the suite of resources the Army has developed to support audit readiness, see the full article at <http://www.army.mil/article/101220>.

❖ Bringing the Command's MIPRs Into Compliance

Jennifer Miller, CDFM-A, CGFM, Fort Bragg, N.C.

Since sequester has thrust the Department of Defense into a situation of supreme cost conservatism, managing fewer resources should theoretically take less effort. Leading up to the drop of the meat cleaver, I began learning the ropes of the U.S. Special Operations Command's Military Interdepartmental Purchase Request (MIPR) compliance criteria and tasks required to conduct an assessment. Saddling up in the midst of a fiscal year with unprecedented budgetary uncertainty posed some challenges, but leaderships' support, and working with the FIAR Lead of our Command, made for superb artillery when the angst of noncompliance struck.



Now, I had knowledge of how the MIPR served to procure goods and services and execute funding, but I stood to be amazed with the Command's "MIPR Bucket" system. In short, the "MIPR Bucket" is a SharePoint supported system with heavy reliance on Microsoft InfoPath and incorporation of the numerous other nuances to procedural staffing requirements. When used as intended, the "MIPR Bucket" system breeds a completely auditable item and lifespan of a MIPR. All instances of "noncompliance" and "compliance" are housed for the assessing parties to inspect. Yee-haw!

Prior to my first "MIPR Bucket Compliance" assessment- rodeo, the foundation was established and many hurdles were identified or successfully cleared before my time—should there be a SIPR and NIPR version of the MIPR Bucket, what incentives should be in place to encourage compliance, assess all MIPRs or only those of a designated threshold, etc. Ultimately, FY 2013 would be the year to bring all of the Command's MIPRs to a compliant status using our single MIPR Bucket (NIPR).

During my first MIPR Bucket Compliance assessment, it seemed more like learning to ride a horse. The number of MIPRs generated Command-wide in just a few weeks is astonishing despite their truly impressive procurement efficiency. Then there's the assessing. Each MIPR must be manually analyzed and each point of prior non-compliance and additional criterion of compliance assessed. Once complete, results are presented and the Command Subordinate Units/Commands (CSCs/CSUs) make corrections before requesting re-assessment to determine compliance and permission for release of any new MIPRs; noncompliant CSCs/CSUs will not have their new MIPRs released until compliance is achieved.

After two iterations and local Microsoft expert help, the tedious and time consuming process has made great strides! We aren't of blue ribbon status, but we've been staying the trail with our continuous leadership communication in weekly and monthly meetings; introduction of process improvements engendering efficiencies for future assessments; elimination of some systematic errors and incorporation of controls for the future of the system's environment; development of job aids for assisting users; and creation of a healthier environment supported by ongoing appreciation for each other's tasks. We are clearly working toward taking care with our existing stock and bringing forth more, all while achieving a clean audit one assessment at a time and improving our financial practices each day.

❖ Snapshot

Each Military Department has committed to interim milestones for achieving audit readiness for each major element or business process for the statement of budgetary resources, such as civilian pay or contracts, and for addressing the existence and completeness of each major category of assets, such as military equipment or real property. The chart below gives a snapshot of the interim milestones on which the Services have successfully asserted audit readiness and how many remain.

Military Department	Completed As Of 1/31/2012	Completed As Of 3/31/2012	Completed As Of 4/30/2013	Future	Total
	Statement of Budgetary Resources				
Army	2	3	3	1	4
Navy	2	6	6	6	12
Air Force	4	7	7	8	15
	Mission Critical Asset Existence and Completeness				
Army	0	2	2	7	9
Navy	1	4	4	11	15
Air Force	3	5	5	8	13

Completed: Cumulative milestones completed and approved by OUSD(C) (i.e., not returned for additional work).

Future: milestones to be completed in the future.

Total: total milestones to achieve auditability.

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