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After a brief hiatus, we are back with our first issue of 2014. In this edition, we celebrate the Marine Corps' very significant accomplishment following a clean opinion on its FY 2012 Schedule of Budgetary Activity or SBA. At the same time, we retained opinions on financial statements of our trust funds and several major agencies.

We also will soon say goodbye to USD(C)/CFO Bob Hale. For those of us who have been working on audit readiness from the beginning, there were many false starts. It wasn't until Bob established the current FIAR priorities in 2009 that the strategy really took shape and audit readiness work began to steadily progress. His leadership and friendship will be missed by all, and he leaves us well-positioned to achieve our goals.

When I look ahead, I'm optimistic about the future. Yes, a lot of work remains, but we know where we're headed and how to get there. We remain committed to emulating the USMC results as most of the Department begins an ongoing audit regimen with SBA audits in FY 2015. To do that, we will need to be ready by the end of September (our FY 2014 goal), becoming very efficient in using the remaining time and focusing on the most important elements. Thank you for all you do!

*Mark Easton
Deputy Chief Financial Officer*

✦ **Marine Corps Receives Favorable Financial Audit Opinion**

*Cpl. Chelsea Flowers Anderson, Headquarters Marine Corps.
Reprinted with permission.*

The Marine Corps has received an "unmodified," or favorable, opinion on a recently completed independent audit of its FY 2012 Statement of Budgetary Activity.

The Department of Defense's inspector general rendered the

opinion Dec. 20, 2013, as part of the mandate by Congress for the Department of Defense to produce [audit ready] financial statements by 2017.

An unmodified opinion is the gold standard for audit opinions and is granted only when the auditors have reasonable assurance that the statement fairly presents the budget activity for the reporting period in all material respects.

The Marine Corps is the first military service to undergo this type of audit.

A favorable opinion is an important step in audit readiness for the Department of Defense.

“This year’s financial report demonstrates our dedication to assure the public that we are efficient and prudent stewards of the nation’s resources entrusted to us,” said Ann-Cecile M. McDermott, fiscal director for the Marine Corps.

The report did, however, identify weaknesses for the Marine Corps to correct in order to improve its financial management, and many of these initiatives are already underway.

“We may have done well on the first one, but we have to repeat this,” said Lt. Col. Jared Hansbrough, deputy of the accounting branch at Headquarters Marine Corps. “We’re happy to be where we are, but we recognize we have a lot of work to do as we move forward.”

Marines, their weapons and equipment account for only 8.2 percent of the total Department of Defense FY 2012 budget, but that still delivers the ability to respond to crises—from humanitarian-assistance and disaster-relief efforts to noncombatant evacuation operations to counter-piracy operations, as well as full-scale combat.

“The outstanding results of the FY12 financial statement audit demonstrate the Marine Corps' commitment to improving our stewardship of the scarce resources entrusted to us by the American people,” said Commandant of the Marine Corps Gen. James F. Amos. “We are the first service to have successfully completed this congressionally mandated audit. I could not be more proud of our entire team ... Bravo Zulu!”

To view the financial report, go to <http://www.hqmc.marines.mil/portals/61/Docs/AFR.pdf>.

Note: the term unqualified was changed to unmodified for reprinting.

✧ **Simply Put: Unmodified Opinion**

Here’s a common audit readiness term put in words everyone can understand:

Unmodified Opinion: Issued when an independent auditor concludes that an organization’s financial statements give a fair view of the organization’s financial position.

❖ **Hagel Recognizes Audit Progress**

Over 75 past and present leaders gathered in the Pentagon’s Hall of Heroes for an event recognizing the U.S. Marine Corps for becoming the first Service to achieve full audit readiness and receive an unqualified opinion on its FY 2012 Schedule of Budgetary Activity. "I know it might seem a bit unusual to be in the Hall of Heroes to honor a bookkeeping accomplishment, but damn, this is an accomplishment, and I think it deserves a Hall of Heroes recognition," Hagel said.

“Most Marines, I suspect, don't think of audits when they think of fitness and discipline. But it is about all those things. And so, to the Marines, thank you for what you have done, all our services represented here, the progress you've made,” Hagel said. “We are getting to where we need to be.”



Secretary of Defense Chuck Hagel, Assistant Commandant of the Marine Corps General John M. Paxton, Jr., USD(C)/CFO Robert Hale

Assistant Commandant of the Marine Corps General John M. Paxton, Jr. was on hand to accept a framed memento marking this achievement. Paxton was mindful of it being a team event and acknowledged all of the people who have “rolled up their sleeves” to get the job done.

In his remarks, Hagel thanked Comptroller Bob Hale, who is retiring later this year, for being “as significant a force in this effort as anyone.” He also thanked “all the men and women in our armed forces, the uniformed and the civilians, who more than occasionally do not get enough credit for their efforts.”

Nine DoD Agencies were also recognized for the substantial progress made in achieving and sustaining auditable financial statements:

- The Defense Finance and Accounting Service
- The Defense Contract Audit Agency
- The Defense Health Agency - Contract Resources Management
- The Medicare-Eligible Retiree Health Care Fund
- The Military Retirement Fund
- The U.S. Army Corps of Engineers - Civil Works
- The DoD Inspector General
- The Defense Commissary Agency
- The Defense Information Systems Agency

The event was carried live by The Pentagon Channel and can be viewed in its entirety at <http://www.pentagonchannel.mil/Video.aspx?videoid=321056>.

❖ USD(C)/CFO Hale Stepping Down

The Honorable Robert F. Hale has announced his plans to step down from his position as Under Secretary of Defense (Comptroller)/Chief Financial Officer. Hale, who was confirmed in February 2009, will have served more than five years in the position—longer than any other person since the 1950s.

Hale has been largely credited with establishing a cohesive and sensible plan for achieving auditability on the Department's full financial statements by 2017. In an August 2009 memorandum, Hale outlined the priorities and directed the Components to adjust their plans to focus first on the Statement of Budgetary Resources, then on existence and completeness of mission-critical assets. Secretary Panetta later accelerated the timelines. As a means of elevating the expertise of DoD financial managers and sustaining audit improvements over the long term, Hale also instituted a mandatory financial management certification program.



USD(C)/CFO Robert Hale

Although Hale has not announced his next steps, in a note to his staff, he said he will leave with “decidedly mixed feelings,” and that “it is getting close to the time when I should pursue other opportunities and challenges.” President Obama has nominated current Principal Deputy Under Secretary of Defense (Comptroller) Mike McCord to succeed Hale. “If confirmed, Mike will bring continuity to the position, and I know he will do a great job,” Hale wrote.

Prior to becoming Comptroller, Hale was Executive Director of the American Society of Military Comptrollers (ASMC), the professional association of Defense financial managers. He also served as the Assistant Secretary of the Air Force (Financial Management and Comptroller) from 1994 to 2001.

“It has been an honor and a privilege to serve under Secretary Hale,” Deputy Chief Financial Officer Mark Easton said. “Through his vision and leadership, his imprint on the Department's financial management will be felt for years to come.”

❖ Did You Know?

Wilfred J. McNeil holds the record for longest-serving DoD Comptroller. McNeil was the assistant secretary of defense for fiscal operations from September 12, 1949 to November 1, 1959. He served under Presidents Truman and Eisenhower and five Secretaries of Defense.

A transcript of a 1972 oral history interview in which McNeil talks about his years at the newly formed Department of Defense is available through the Harry S. Truman Library and Museum at <https://www.trumanlibrary.org/oralhist/mcneilwj.htm#transcript>.

❖ McCord Nominated to Succeed Hale as USD(C)

The Senate Armed Services Committee recently considered the nomination of Mike McCord to succeed Bob Hale as the new Under Secretary of Defense (Comptroller). If confirmed, McCord, who has been serving as the Principal Deputy Under Secretary of Defense (Comptroller) since January 2009, would become the seventh person to occupy the office since the rank was elevated from Assistant Secretary to Under Secretary.

McCord confirmed his commitment to improving controls and attaining the goal of having a clean audit opinion by saying the Department is on track and that the plan Mr. Hale put in place is a good one. “I support that plan. I'm going to stay with that plan as long as I see that it's making the kind of progress that we've been making recently, with the Marine Corps audit, for example,” McCord said.

The hearing was a sort of coming home for McCord who served 21 years as a professional staff member on the committee first for former Senator Sam Nunn and later for current Chairman Senator Carl Levin. McCord began his career as an analyst at the Congressional Budget Office, where his primary responsibility was analysis of military personnel programs, including personnel strength levels, pay and benefits costs, and military retirement. His full bio can be read under About DoD on the Department's public website at <http://www.defense.gov/bios/biographydetail.aspx%3Fbiographyid%3D175>.

The hearing, which had been postponed from an earlier—and snowier—date, also considered the nominations of Robert O. Work to be the Deputy Secretary of Defense, Christine E. Wormuth to be Under Secretary of Defense for Policy, Brian P. McKeon to be Principal Deputy Under Secretary of Defense for Policy, David B. Shear to be Assistant Secretary of Defense for Asian and Pacific Security Affairs, and Eric Rosenbach to be Assistant Secretary of Defense for Homeland Defense. To view a recording of the proceedings, go to http://www.armed-services.senate.gov/hearings/nominations_work-mccord-wormuth-mckeon-shear-rosenbach--02/25/2014. The hearing starts approximately 24 minutes into the video file that's posted. McCord's statement begins at 49:10. Written testimony from each of the witnesses is also available for download.

❖ **Not Yet a Member of the FIAR Group on milBook?**

Here's some of what you missed in February:

- “Senate Hearings”
- “Travel Comp Time”
- “DoD plans dry-run financial audit for 2015”
- “Pentagon Solutions talks with DCFO Mark Easton”

See “Stay Connected” at <http://comptroller.defense.gov/fiar/stayConnected.aspx> for instructions on joining.

❖ **Snapshot**

Each Military Department has committed to 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 general equipment or real property. The total number of milestones has been updated to align with the milestones tracked and reported in the November 2013 FIAR Plan Status Report. The chart below gives a snapshot of the milestones on which the Services have successfully asserted audit readiness and how many remain.

Military Department	Completed As Of 12/31/2012	Completed As Of 12/31/2013	Completed As of 2/28/2014	Future	Total
	Statement of Budgetary Resources				
Army	2	3	3	7	10
Navy	3	6	7	3	9
Air Force	3	3	3	7	10
	Mission Critical Assets Existence and Completeness				
Army	2	4	3*	5	8*
Navy	5	5	5	13	18
Air Force	5	5	5	12	17

* Army combined assertions for General Equipment and Military Equipment. As a result, numbers of milestones completed and total milestones remaining to achieve auditability have been reduced to 3 and 8, respectively.

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.

Published by the Financial Improvement and Audit Readiness Directorate, Office of the DCFO, OUSD(C), U.S. Department of Defense. To comment, submit an article, or have your name added to or removed from the mailing list, contact us at osd.pentagon.ousd-c.mbx.odcfo@mail.mil.