

**Financial Improvement and Audit Readiness Methodology**  
**Assertion Work Product Example**  
**Statement to Process Analysis**

*Detailed Activity 1.1.1 – Overall Statement to Process Analysis (Reporting Entities)*  
*Detailed Activity 1.3.1 – Statement to Process Analysis (Service Providers)*

**NOTE:** The Tool/Template/Work Product below includes instructions for preparing a statement to process analysis, as well as an example statement to process analysis.

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## Statement to Process Analysis Instructions

### Financial Improvement and Audit Readiness Methodology Assertion Work Product Example Statement to Process Analysis Instructions

*Detailed Activity 1.1.1 – Overall Statement to Process Analysis (Reporting Entities)*

*Detailed Activity 1.3.1 – Statement to Process Analysis (Service Providers)*

**NOTE:** This document contains detailed instructions for preparing a statement to process analysis.

#### I. Work Product Objective

The objective of the Statement to Process Analysis is to depict the relationship between the assessable units (AUs), sub-AUs and associated systems that make up a material financial statement line item:

#### II. Work Product Preparation Instructions

In order to prepare a Statement to Process Analysis, a reporting entity should follow the steps listed below.

1. **Determine the reporting entity that is making the assertion of audit readiness (e.g., general fund, working capital fund, etc.).** The name of the reporting entity should be represented by a single box in the first swim lane of the Statement to Process Analysis at the top of the page.
2. **Identify the financial statement to be asserted as audit ready and determine its material line items.** The Department has concluded that all amounts greater than one percent are considered material.

Using the Statement of Budgetary Resources (SBR) as an example, a reporting entity would divide the dollar value of each line item on the face of its SBR by the value of its total budgetary resources. The reporting entity would then aggregate the values of the line items in a descending order until 99% coverage is achieved. Each line item used to arrive at the 99% coverage would be considered material. A separate Statement to Process Analysis will be required for each material AU that comprises a material line item.

The second swim lane located directly below the ‘Reporting Entity’ swim lane should list the financial statement line item for which the Statement to Process Analysis is being prepared.

3. **Disaggregate each material line item by feeder system.** Once material line items have been determined, the reporting entity should disaggregate each line item by its feeder systems.

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4. **Reconcile feeder system balances to U.S. Standard General Ledger (USSGL) balances.** Once the feeder systems that comprise a line item have been disaggregated, the reporting entity should reconcile relevant feeder system balances to corresponding USSGL balances to ensure that they are in agreement.
5. **Determine the business processes, classes of assets or liabilities or classes of transactions that comprise each feeder system balance.** After feeder system balances have been reconciled to corresponding USSGL balances, the reporting entity should perform an analysis of each feeder system balance to determine the business processes, classes of assets or liabilities or classes of transactions that comprise each feeder system balance.
6. **Designate AUs based upon the business processes, classes of assets or liabilities or classes of transactions identified.** After a reporting entity has identified the business processes, classes of assets or liabilities or classes of transactions that comprise its feeder system balances, the entity should designate AUs.

A reporting entity should consider the business processes, classes of assets or liabilities or classes of transactions that comprise each balance in order to facilitate the designation of specific AUs.

Reporting entities can refer to Section 4.A.3 of the FIAR Guidance for further information on designating AUs.

7. **Determine the quantitative value of each AU.** After designating AUs, the reporting entity should determine the dollar value of each AU by summing the value of the feeder system balances that comprise the AU.
8. **Ensure the sum of the AUs reconciles to the sum of the feeder system balances being analyzed.** Upon determining the dollar value of each AU, the entity should ensure the total value of its AUs reconciles to corresponding feeder system balances.
9. **Incorporate designated AUs into the Statement to Process Analysis.** Upon ensuring the sum of the AUs reconciles to the sum of the feeder system balances being analyzed, the designated AUs should be incorporated into the Statement to Process Analysis.

The third swim lane, should list all AUs that comprise the financial statement line item listed in the second swim lane. It should be noted that the AUs established in the third swim lane of the Statement to Process Analysis should correlate with the Level 1 balances in the Quantitative Drill Down work product developed as part of Activity 1.1.2(a) of the Reporting Entity FIAR Methodology and Activity 1.3.2(a) of the Service Provider FIAR Methodology.

10. **Designate sub-AUs that comprise the AU for which the Statement to Process Analysis is being prepared.** After designated AUs have been incorporated into the

## Statement to Process Analysis Instructions

Statement to Process Analysis, the reporting entity should perform an analysis of the AU for which the Statement to Process Analysis is being prepared to determine sub-AUs.

An example of a sub-AU would be breaking a civilian pay AU into sub-AUs based upon object class codes (e.g., full-time permanent compensation, other than full-time permanent compensation, civilian personnel benefits, benefits for former personnel, etc.).

- 11. Determine the quantitative value of each sub-AU.** Subsequent to the designation of sub-AUs, the reporting entity should determine the dollar value of each sub-AU. Determination of the quantitative value of each sub-AU can be accomplished by an analysis of feeder system, USSGL or object class code balances to isolate specific activity that comprises the sub-AUs that have been designated.

- 12. Incorporate designated sub-AUs into the Statement to Process Analysis.** After a reporting entity has designated sub-AUs, and determined the quantitative value of each sub-AU, the sub-AUs should be incorporated into the Statement to Process Analysis.

The fourth swim lane in the Statement to Process Analysis should list the sub-AUs that make up the AU being asserted as audit ready in the third swim lane.

It should be noted that the sub-AUs designated in the fourth swim lane of the Statement to Process Analysis will correlate with the Level 2 balances in the Quantitative Drill Down work product developed as part of Activity 1.1.2(b) of the Reporting Entity FIAR Methodology and Activity 1.3.2(b) of the Service Provider FIAR Methodology.

- 13. Determine the sub-processes that comprise the sub-AUs for the Statement to Process Analysis.** After sub-AUs have been incorporated into the Statement to Process Analysis, the reporting entity should perform an analysis to determine the sub-processes that comprise the sub-AUs.

- 14. Incorporate sub-processes into the Statement to Process Analysis.** After a reporting entity has determined sub-processes, they should be incorporated into the Statement to Process Analysis.

The fifth swim lane in the Statement to Process Analysis should list the sub-processes that make up the sub-AUs listed in the fourth swim lane.

- 15. Identify all significant systems and feeder systems utilized by the reporting entity to process or account for transactions that comprise the sub-AUs being asserted as audit ready.** In the sixth swim lane, the reporting entity should list significant systems and feeder systems associated with or utilized to derive the sub-AUs that have been identified in the fifth swim lane.

### III. Work Product Example

## Statement to Process Analysis Instructions

An example Statement to Process Analysis for a Reporting Entity's Civilian Pay process is presented below:

INSTRUCTIONS

# Example Statement to Process Analysis

