

**Financial Improvement and Audit Readiness Methodology**  
**Assertion Work Product Example**  
**Process and System Documentation – Business Process Narratives and Flowcharts**

*Detailed Activity 1.3.1 – Prepare Process and System Documentation (Reporting Entities)*  
*Detailed Activity 1.5.1 – Prepare Process and Controls Documentation (Service Providers)*

**NOTE:** The Tool/Template/Work Product below includes instructions for preparing business process narratives and business process flowcharts, as well as two example narratives and two example flowcharts.

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## Business Process Narrative Instructions

### Financial Improvement and Audit Readiness Methodology Assertion Work Product Example Business Process Narrative Instructions

*Detailed Activity 1.3.1 – Prepare Process and System Documentation (Reporting Entities)*  
*Detailed Activity 1.5.1 – Prepare Process and Controls Documentation (Service Providers)*

**NOTE:** This document contains detailed instructions for preparing a business process narrative. The document identifies the key information required to be included in the narrative, including identification of key process owners, key risks, financial reporting objectives, key control activities, key systems and supporting documentation, detailed description of business processes at a transactional level, laws and regulations impacted, interfaces with other business cycles, and financial statement line items impacted.

1. **Preparer Name:** Enter the name of the person preparing the business process narrative.
2. **Date Prepared:** Enter the date the process narrative is prepared.
3. **Reporting Entity:** Enter the name of the reporting entity (e.g., Army, Navy, Air Force) or other defense organization (i.e., DCMA, DTRA, DLA).
4. **Business Process/Assessable Units and Sub-processes:** Enter the name of the high level end to end business cycle (i.e., Hire to Retire, Procure to Pay, Budget to Report) and specific sub-process associated with the control activity (i.e., reconciliation of military payroll).
5. **Purpose/Scope:** Identify the purpose of the document (e.g., “to describe the process for calculating, processing, disbursing and recording military payments, and to identify the risks of material misstatement and associated internal controls over financial reporting). The scope should be specific and narrowly focused on the specific part of the process being described (i.e., DCA Military Pay Gross-to-Net (G2N) Reconciliation process (a sub-assessable unit of the Military Pay process)
6. **Process Description at a Transactional Level** – Provide a description of the process at a transactional level. The process must be documented in chronological order, including the initiation, authorization, processing, recording and reporting of transactions. Documenting the process in the order in which it occurs allows for traceability from inception to reporting (e.g., how are good ordered, received, paid for and reported in the financial system). Ensure that the following are identified in the description of the process:
  - a. **Key Personnel/ Process Owner:** Identify the name/title/role of person executing the transaction performing the process (e.g., Systems Accountant, Assistant Director, Disbursing Officer).

## Business Process Narrative Instructions

- b. **Risks of Material Misstatement (ROMM):** Within the process narrative, identify the key risk(s) of material misstatement which may occur in the financial statement line item, accounting application and associated business process. A ROMM is a risk that a financial statement misstatement may occur and not be prevented or detected in a timely manner. Note: The risk of material misstatements must be obtained from the listing of key risk(s) of material misstatements in Appendix C (sections C.1.2, C.2.2, C.3.2 and C.4.2) of the FIAR Guidance.
- c. **Financial Reporting Objectives (FROs):** Identify the financial reporting objective(s) that is relevant to the aforementioned business process(es) and mitigates the identified key risk(s) of material misstatement. Note: The financial reporting objective(s) must be from the listing of financial reporting objectives/outcomes in Appendix C (sections C.1.2, C.2.2, C.3.2 and C.4.2) of the FIAR Guidance.
- d. **Key Control Activities:** Identify the key control activities within the process that are currently in place to mitigate the key risk(s) of material misstatement and achieve the aforementioned financial reporting objective(s). Include a detailed description of the control activity, noting the following:
  - i. Who performs the control activity? For manual control activity, there should be a preparer and reviewer/approver. For IT controls, identify the Information Technology General and Application controls.
  - ii. How is the control activity performed?
  - iii. How frequently (and when) is the control activity performed?
  - iv. How is performance of the control activity documented and evidenced (i.e., signature and date on form).
- e. **Key Systems Used:** Identify and provide a description of all significant and relevant systems used to execute transactions and store key supporting documents.
  - i. Financial, mixed and non-financial systems may be in-scope.
  - ii. Consider micro-applications (i.e., spreadsheets, databases, etc.).
  - iii. Provide a description of the hardware, software and any system interfaces.
- f. **Key Supporting Documents:** Identify the documents that support execution of the processes or transactions (i.e., timesheets, contracts, invoices, payment vouchers, earnings and leave statements, DD-254, employee pay schedules, etc.). Also identify the location where the documents are stored (i.e., system names for electronic documentation or physical location for physical hard copy documentation).
- g. **Financial Statement General Ledger Account Codes:** Identify the accounting transactions that occur and associated general ledger accounts that are impacted through execution of the business process.
- h. **Relevant Laws and Regulations and Policies/Procedures:** Identify policies and procedures relevant to the business cycle/process being described (e.g., Prompt Pay Act for Procure to Pay business cycle).

## Business Process Narrative Instructions

- i. **Interfaces with Other Business Cycles:** Identify any interfaces with other business cycles (e.g., procure to pay interfaces with budget to report).
- j. **Acronyms Listing:** Provide a list, if any, of acronyms used throughout the process narrative.

## Example Business Process Narrative #1

### Financial Improvement and Audit Readiness Methodology Assertion Work Product Example Example Business Process Narrative #1

*Detailed Activity 1.3.1 – Prepare Process and System Documentation (Reporting Entities)*  
*Detailed Activity 1.5.1 – Prepare Process and Controls Documentation (Service Providers)*

**NOTE:** The following is an example Business Process Narrative for a Wave 2, Statement of Budgetary Resources assessable unit. The narrative describes the process for reconciling gross-to-net Military Pay and includes all the elements necessary to support Component audit readiness efforts and achieve auditability. A Business Process Narrative may also be referred to as a Cycle Memorandum.

**Preparer Name:** John Doe

**Date Prepared:** July 20, 2013

**Reporting Entity:** Defense Component Agency

**Business Process/Assessable Units and Sub Processes:** Military Pay Gross-to-Net Reconciliation

**Purpose/Scope:** To document the process used by Defense Component Agency (DCA) to reconcile entitlements certified in the Defense Joint Military pay System (DJMS) Active Component (AC) (DJMS-AC) to the actual payments processed through the disbursing system and reported to Treasury. Specifically, to document the Military Pay Gross-to-Net (G2N) Reconciliation process (a sub-assessable unit of the Military Pay process)

#### ***MilPay Gross-to-Net Reconciliation Process Description:***

1. As part of the MilPay monthly processing cycle, the DJMS-AC Production Control creates the 1A summary file (see the separate narrative write-up on the MilPay monthly processing cycle for more information). The 1A summary file contains both active and reserve personnel appropriations; the file is stored in DJMS.
2. The Disbursing Accountant downloads the 1A file to his/her computer and imports the text file (.txt) into Microsoft Excel. After import, the 1A summary spreadsheet is emailed to the service branch personnel office for their use in month-end closing activities.
3. The Disbursing Accountant executes macros in the DJMS RECON Excel template to crosswalk and summarize the 1A file Summary Account File Identifiers (SAFID) into entitlement and deduction pay categories. This step creates the G2N\_MONTH\_YR Excel workbook.
4. The Disbursing Accountant verifies that the “Out of Balance” amount in the G2N\_MONTH\_YR workbook matches the last amount on the 1A file. If the amounts match, the reconciliation continues in Step 7. If the amounts do not match, the Disbursing Accountant must determine why the mismatch occurred as described in Step 5.

## Example Business Process Narrative #1

**KC1 – Disbursing Accountant verifies that the gross deductions and gross entitlements equal and match the 1A and G2N\_MONTH\_YR files.**

5. If the last amount on the 1A file and the “Out of Balance” amount in the G2N\_MONTH\_YR workbook do not match, the Disbursing Accountant will review the DJMS-AC Summary of Out of Balance Listing Report (JUH099C0119) to verify the correct out of balance amount and confirm the correct 1A file was downloaded by checking day and month. If the incorrect file was imported, the Disbursing Accountant will download the correct 1A file and restart the reconciliation at Step 1. If the Disbursing Accountant downloaded the correct file, he/she contacts DJMS-AC Production Control to research and resolve the difference (Step 6).
6. The DJMS-AC Production Control analyst will either regenerate the 1A file or provide a new dollar amount for one or multiple SAFIDs. The Disbursing Accountant can make the correction(s) provided by DJMS-AC Production Control directly in the G2N\_MONTH\_YR Excel workbook (and continue with Step 7), or go back to the start (Step 1) and reprocess the regenerated 1A file.
7. The Disbursing Accountant uses DJMS-AC report JUH099871 to verify that suppressed transactions and carried-forward amounts match the amounts per the 1A file (these transactions are not included in the end-of-month cutoff for disbursement). The Disbursing Accountant researches any discrepancies and makes the appropriate corrections in the G2N\_MONTH\_YR workbook. Carried-forward transactions are identified by unique SAFIDs included as entitlements in the 1A file, but are not included as disbursements in the payment file.

**KC2 – Disbursing Accountant verifies that suppressed transactions and carried-forward amounts on DJMS-AC report JUH099871 match the 1A and G2N\_MONTH\_YR files.**

8. The Disbursing Accountant prints the G2N\_MONTH\_YR Excel workbook and gives the hard copy to the Deputy Director, Disbursing.
9. The Deputy Director, Disbursing reviews the G2N reconciliation to ensure that it was performed timely and accurately, and that all reconciling items were researched and resolved in a timely manner. Once he verifies that the reconciliation was performed timely and accurately, he approves the G2N reconciliation by signing and dating the hard copy G2N\_MONTH\_YR workbook printed by the Disbursing Accountant. The Deputy Director scans the signed printout and forwards to the personnel office via email.

**KC3 – Deputy Director, Disbursing, reviews and approves the monthly G2N reconciliation.**

10. The Personnel Office retrieves the G2N reconciliation, and reviews and signs it, then sends the reconciliation to Disbursing Operations for retention.

## Example Business Process Narrative #1

11. Next, the Disbursing Accountant obtains the Military Pay Distribution Schedules Report (DJMS-AC JUH099C160) and compares it to the G2N\_MONTH\_YR. Then, the Disbursing Accountant logs into the disbursement system and obtains six payment files (these have not yet been transmitted to the Federal Reserve Bank). The payment files retrieved are: NetPay EOM, Daily EFT, Debt, Allotments, Separations and Garnishments. The Disbursing Accountant verifies the amounts and gross deductions match between the payment files, JUH099C160 report and the G2N\_MONTH\_YR workbook. If amounts do not match, the Disbursing Accountant searches for data entry or formula errors in the workbook, and corrects them to resolve the difference(s) before proceeding to Step 12.

### **KC4 – Disbursing Accountant matches payment file amounts with the Military Pay Distribution Schedules Report and the G2N\_MONTH\_YR spreadsheet.**

12. The Disbursing Accountant uses the DJMS-AC JUH099C160 and JUH099C194X reports, and the disbursing system payment files to populate separate tabs for each type of payment in a new Excel spreadsheet, and saves the file as DJMS\_WKS\_MMY, where MMY is the two-digit month and year. This determines the voucher amount for each payment type. The DJMS\_WKS\_MMY workbook is used to create the month-end disbursement vouchers by line item for Allotments, Debt, Separations, Garnishments and end-of-month payroll. A disbursement voucher will be created for each payment type (line item).
13. Once the DJMS\_WKS\_MMY workbook is completed by the Disbursing Accountant, a Disbursing Technician obtains the file and manually creates vouchers in the disbursing system for each payment type; the tabs in the workbook provide the voucher amount. Once all the manual vouchers are created, the Disbursing Technician manually signs the voucher coversheet and returns it to the Disbursing Accountant. *[Note: a manual voucher is not created for NetPay EOM because this voucher is automatically created by the disbursing system when the payment file is processed; also, the manual vouchers are created with a "no check" code, which means a payment is not created, but the transactions are accounted for in the payroll files.]*
14. The Disbursing Accountant reviews the Line of Accounting (LOA) for each voucher as well as the voucher amount by comparing the voucher to the DJMS\_WKS\_MMY. For the NetPay EOM automated vouchers, the Disbursing Accountant compares the voucher and DJMS\_WKS\_MMY amounts to the DJMS-AC Net Pay Summary Report (C914) and Suppression Report (C322) to ensure the vouchers are accurate. If the voucher details agree with the DJMS\_WKS\_MMY, the G2N reconciliation is complete and voucher processing continues in the off-line payment delivery process.

### **KC5 – Disbursing accountant verifies voucher amount and LOA.**

15. If the voucher details do not agree, the Disbursing Accountant will look for formula/data entry errors and correct them. If the DJMS\_WKS\_MMY does not have any errors, then the voucher is sent back to the disbursing technician who entered it for correction in the disbursing system. Once corrections have been made, Step 14 is repeated.

## Example Business Process Narrative #1

16. Once the reconciliation is complete, the Deputy Director, Disbursing, performs a final review of the reconciliation to ensure that all payment amounts identified for disbursement are accurate. Once he validates that all amounts are correct, he approves the payment vouchers for processing.

**KC6 – Deputy Director, Disbursing, reviews reconciliation to ensure all payment amounts are accurate prior to processing payments for disbursement.**

### **Key Personnel/Process Owners:**

Name	Title	Department	Contact Information
John Paymaster	Director	Disbursing Operations	<a href="mailto:John.paymaster@DCA.mil/">John.paymaster@DCA.mil/</a> (XXX) XXX-XXXX
Carol Smith	Disbursing Accountant	Disbursing Operations	<a href="mailto:Carol.Smith@DCA.mil/">Carol.Smith@DCA.mil/</a> (XXX) XXX-XXXX
Tim Johnson	Disbursing Technician	Disbursing Operations	<a href="mailto:Tim.Johnson@DCA.mil/">Tim.Johnson@DCA.mil/</a> (XXX) XXX-XXXX
Victoria Hirer	HR Specialist	Service Branch Personnel Office	<a href="mailto:Victoria.Hirer@DCA.mil/">Victoria.Hirer@DCA.mil/</a> (XXX) XXX-XXXX

### **Key Risks of Material Misstatement:**

1. Recorded payroll obligations, expenses, accruals, and disbursements may not be valid.
2. All military payroll obligations, expenses, accruals and disbursements may not be recorded, or may not be recorded timely.
3. Military payroll obligations, expenses, accruals, and disbursements may be recorded at incorrect amounts.
4. Military Pay G2N reconciliation files may be accessed by unauthorized individuals.

### **Financial Reporting Objectives:**

1. Recorded military payroll obligations, expenses, accruals and disbursements represent economic events that actually occurred, are properly classified and pertain to the reporting entity.
2. All military payroll obligations, expenses, accruals and disbursements are recorded in a timely manner.
3. Military payroll obligations, expenses, accruals, and disbursements are recorded at correct amounts and are properly classified.



## Example Business Process Narrative #1

4. Access to the Military Pay G2N reconciliation files is restricted to authorized individuals.

### **Key Control Activities:**

KC1 – Disbursing accountant verifies gross deductions and gross entitlements equal and match the 1A and G2N\_MONTH\_YR files.

KC2 – Disbursing accountant verifies that suppressed transactions and carried-forward amounts on DJMS-AC report JUH099871 match the 1A and G2N\_MONTH\_YR files.

KC3 – Deputy Director, Disbursing, reviews and approves the G2N reconciliation.

KC4 – Disbursing accountant matches payment file amounts with the Military Pay Distribution Schedules Report and the G2N\_MONTH\_YR spreadsheet.

KC5 – Disbursing accountant verifies voucher amount and LOA.

KC6 – Deputy Director, Disbursing, reviews reconciliation to ensure all payment amounts are accurate prior to processing payments for disbursement.

### **Key Systems Used:**

*Defense Joint Military pay System-Active Component (DJMS-AC)* is the payroll processing system for the service branches. DJMS-AC calculates gross pay, deductions, withholdings and net pay for active duty military personnel in the Army, Navy and Air Force.

*Disbursing System* is DFAS-owned system that processes all disbursements for Service Branch, including military and civilian pay, vendor pay and travel reimbursements.

*DJMS\_RECON* is an Excel-based micro-application used to import MilPay payroll data from the 1A summary text file into an Excel spreadsheet.

### **Key Supporting Documents:**

G2N\_MONTH\_YR Excel spreadsheet printout

DJMS-AC JUH099C0119 Summary of Out of Balance Listing Report

DJMS-AC JUH099871 Report (suppressed and carried-forward transactions)

DJMS-AC JUH099C160 Military Pay Distribution Schedules Report

DJMS-AC JUH099C194X Voucher Report

DJMS-AC JUH099C914 Net Pay Summary Report

DJMS-AC JUH099C322 Suppression Report

### **General Ledger Account Codes:**

6100 – Operating expenses

1010 – Fund Balance with Treasury (disbursements)

## Example Business Process Narrative #1

4902 Delivered Orders - Obligations, Paid  
4610 Allotments - Realized Resources

### ***Relevant Laws, Regulations, Policies and Procedures:***

Department of Defense Financial Management Regulation (DoD FMR) 7000.14-R, Volume 7C, Chapter 2

Office of Management and Budget, Circular A-123, “Management’s Responsibility for Internal Control”.

### ***Interfaces with Other Business Processes:***

Off-line Payment Delivery Process  
Financial Reporting Process

## Example Business Process Narrative #2

### Financial Improvement and Audit Readiness Methodology Assertion Work Product Example Example Business Process Narrative #2

*Detailed Activity 1.3.1 – Prepare Process and System Documentation (Reporting Entities)*  
*Detailed Activity 1.5.1 – Prepare Process and Controls Documentation (Service Providers)*

**NOTE:** The following is an example Business Process Narrative for a Wave 3, Existence and Completeness of Mission Critical Assets assessable unit. The narrative describes the process for acquiring General Property, Plant, and Equipment (G-PP&E), and includes all the elements necessary to support Component audit readiness efforts and achieve auditability. A Business Process Narrative may also be referred to as a Cycle Memorandum.

**Preparer Name:** John Doe

**Date Prepared:** July 20, 2013

**Reporting Entity:** Defense Component Agency

**Business Process/Assessable Units and Sub Processes:** Acquisition of G-PP&E

**Purpose/Scope:** To document the process used by Defense Component Agency (DCA) to acquire and account for G-PP&E.

#### ***Business Process –G-PP&E Acquisition and Management:***

G-PP&E includes property items other than real property, military equipment, inventory and operating materials and supplies. Items such as forklifts, machinery, photocopiers and computers are G-PP&E. Improvements to leased property, referred to as leasehold improvements, are also considered G-PP&E. The G-PP&E cycle starts when a need for G-PP&E is identified and funds are reserved (committed) for the acquisition. The cycle ends with the retirement, disposal or transfer of the asset.

#### **Capitalization Policy**

DCA's capitalization policy states that all G-PP&E will be capitalized (i.e. recorded on the balance sheet and depreciated) if its acquisition cost is \$250,000 or more and its service life is 2 years or more. Acquisition cost includes:

- Amounts paid to the prior owner or seller
- Fair market value of any donated assets
- Shipping costs and administrative fees.
- Other expenditures necessary to place the asset into service (such as installation or configuration costs, and additional transportation charges).

**Note:** Maintenance contracts purchased at the time of acquisition are not included in acquisition cost, but should be recorded to maintenance expense.

## Example Business Process Narrative #2

**G-PP&E** subject to capitalization includes:

- Individual items meeting the capitalization criteria.
- Groups of assets such as furniture, information systems networks or telephone systems, if the group as a whole meets the capitalization criteria (even if the items valued individually do not meet the capitalization criteria).
- Replacement of individual components of such capitalized groups even if the replacement item does not meet the capitalization criteria.

### Depreciation

Depreciation is the systematic and rational allocation of the cost of the equipment asset, less any salvage value, over its useful life. DCA depreciates all capitalized equipment in accordance with DCA policy, generally using the straight-line method over useful lives of 3 to 10 years and assuming no salvage value.

### G-PP&E Acquisition

The G-PP&E acquisition cycle begins with identification of a need to procure an asset. The process includes the following actions:

- Create an Equipment Purchase Request
- Certify availability of funds
- Process the Equipment Purchase Request
- Obligate funds
- Receive equipment

#### Create Equipment Purchase Request

The transaction process begins when the Program Office prepares an Equipment Purchase Request (EPR). The analyst prepares the EPR in PROCURE (the acquisition system), which assigns a document number for tracking throughout the process. The document number consists of the 3-character program office designator and a 5-digit sequential number (assigned by PROCURE). The analyst submits the completed form in PROCURE, which performs edit checks and routes the EPR to the approving official. The Approving Official reviews the EPR and approves the request by electronically signing the form in PROCURE. **[KC1 – EPR must be approved by an authorized official.]** The approved EPR is then routed by the system to a funds certifying official.

#### Certify Funds

The Funds Certifying Official is notified by PROCURE and calls up the approved EPR. The FCO will determine if sufficient funds are available for commitment on the request using DBEX

## Example Business Process Narrative #2

(see the narrative for the Budget-to-Report cycle for a discussion of the funds control process). The FCO will verify the funds citation and if sufficient funds are available, will electronically certify funds for the EPR in PROCURE. **[KC2 – Funds Certifying Official verifies funding citation and certifies availability of funds.]** PROCURE will create a commitment transaction that is transmitted to DBEX.

### Process the Equipment Purchase Request

Once the EPR is approved and funded, PROCURE routes the request to the Contracting Office for processing. The requesting office and financial management office also receive notification that the EPR is being processed. PROCURE adds the line of accounting based on the input from the originating office and funds control. An analyst in the Budget Branch will approve the commitment transaction in DBEX for the nightly interface with GLSYS.

### Obligate Funds

Once a contract is awarded for the EPR, PROCURE creates the contract documents; routing occurs automatically. When the contract is electronically signed by the Contracting Officer the obligation transaction is created, which is automatically sent to DBEX. The Contract Specialist is notified that the signed contract is ready for delivery to the vendor. The originating office is notified that the contract has been awarded. The financial management office is notified that the obligation has been sent to DBEX; the budget analyst will verify the obligation record in DBEX and approve the transaction for transmittal to GLSYS. **[KC3 – The Budget Analyst verifies that the contract is signed by an authorized official and then records an obligation].** The Logistics Branch is notified that the equipment has been ordered and receives a list of the expected items and delivery destination. Any department or office along the process can view and print the acquisition documents as needed.

### Receive Equipment

Logistics notifies the receiving location and hand receipt holder of the impending delivery. Upon delivery, the receiving location will attach a barcode label(s) to the item(s) received in a conspicuous place on the equipment. The receiving location completes Form DD-250, *Material Inspection and Receiving Report*, signed and dated by the receiving clerk, and forwards a copy of the completed form, including the assigned barcode(s) to a property specialist in the Logistics office and to the requesting office. **[KC4 – Receiving department acknowledges receipt and acceptance of equipment on DD-250.]** The property custodian at the receiving location retains the original DD-250 and enters the following information into DCA's accountable property system of record, DPROP, for each item received: barcode, description, manufacturer, serial number, date received, asset type, document number, location, sub-location and hand receipt holder. **[KC5 – Property custodian verifies receipt and barcoding of the assets, and enters the assets into the accountable property system of record.]** The hand receipt holder acknowledges custody of the property by electronically signing the hand receipt in DPROP.

The property specialist prepares an Asset Valuation Form using the contract and disbursement information and adds that to the document package in PROCURE. The property specialist then

## Example Business Process Narrative #2

retrieves the asset record in DPRO, verifies the information entered by the property custodian against the DD-250, and enters the acquisition cost from the Asset Valuation Form. The Asset Valuation Form is reviewed for accuracy by a G-PP&E accountant in the Financial Management Office. If the FMO accountant finds errors or has questions, he/she will contact the property specialist in Logistics to resolve the issue. **[KC6 – Acquisition cost is reviewed by an accountant in FMO for accuracy.]** The property specialist coordinates with the originating office and property custodian and enters the activation date into DPRO when the asset is placed into service. The property specialist also uploads the DD-250 to Wide Area Work Flow (WAWF). Each night, DPRO interfaces with GLSYS to record the pending asset in the general ledger system.

### G-PP&E Management

Management of DCA property involves:

- Acceptance of the asset and placing it in service.
- Assigning the appropriate acquisition cost
- Calculating and recording appropriate depreciation
- Disposing of or transferring property as required
- Conducting periodic G-PP&E inventories

### Acceptance/Placing into Service

After receipt of the asset, the Property Specialist determines what, if any, configuration or installation of the G-PP&E is necessary and prepares to place it into service. Once the asset has been configured and/or installed and is ready for use, the project manager in the originating office notifies Logistics, who enter the activation date into DPRO and verifies the property type code. **[KC7 – The Logistics Property Specialist verifies property type in DPRO to ensure the correct useful life is used for depreciation.]** Useful life is determined by the property type code entered by the property custodian; asset type also maps to the appropriate account number in GLSYS. The barcode is the unique property identifier. The table below identifies the property type codes for G-PP&E.

DCA G-PP&E Type Codes				
<i>Code</i>	<i>Description</i>	<i>Useful Life (months)</i>	<i>GL Account</i>	<i>Accumulated Depreciation GL Account</i>
10	Major Equipment (non-ADP)	120	1750	1758
11	General Equipment (non-ADP)	60	1751	1758
12	ADP Equipment	36	1752	1759
20	Software	36	1760	1769
30	Leasehold Improvements	120	1770	1779
40	Furniture	60	1780	1789

### Depreciation

## Example Business Process Narrative #2

Depreciation is automatically calculated by DPROB using the straight-line method over the useful life of the asset. Depreciation starts in the month of the activation date. On the 25<sup>th</sup> of each month, the depreciation routine is executed in DPROB and the data is transferred to GLSYS as part of the nightly interface.

### Disposals and Transfers

The Property Custodian or the project manager may identify equipment that is no longer useful or needed, or must be transferred to another location. The Property Custodian completes Form 1348-1A, Issue Release/Receipt Document, obtains approval from the Accountable Property Officer and sends the form to Logistics. **[KC8 – Dispositions or transfers of G-PP&E must be approved by a supervisory authority.]** Logistics updates the DPROB record and works with the property custodian to arrange for transfer of the item to the Defense Reutilization and Marketing Office (DRMO). All DCA G-PP&E dispositions are handled through DRMO. Once the asset has been physically disposed of or transferred, the Property Custodian updates the asset record in the APSR. **[KC9 – The Accountable Property Officer reviews the asset record and supporting documentation to ensure that the disposal/transfer was recorded accurately and completely].**

If a property item is being transferred within DCA, the transferring property custodian is responsible for updating the hand receipt holder information in DPROB; once this is done, the receiving property custodian updates DPROB with the new location and sub-location information.

### Periodic Inventory

At least once per year, every hand receipt holder must re-certify that he/she is in possession of the specified property, or has personally verified its location. The property custodian prints the hand receipt forms from DPROB, distributes them to the respective hand receipt holder, and tracks and reviews them. Any discrepancies are resolved by the property custodian, hand receipt holder and Logistics and DPROB is updated accordingly.

Additionally, Logistics conducts a complete physical inventory of all DCA G-PP&E annually. The Logistics supervisor notifies the Accountable Property Officers that a 100 percent inventory will be conducted within 3 days of notification. Inventory is conducted using a barcode scanner when possible. The Logistics inventory team will scan or record all G-PP&E, compare the results to DPROB records and resolve any differences promptly. **[KC10 – Physical assets are periodically compared to the accounting records for accuracy.]** See the section entitled “Physical Inventories” in the Logistics Procedures Manual for more information about physical inventory.

### G-PP&E Reporting

The Financial Management Office is responsible for reconciling and reporting G-PP&E. On a monthly basis, an FMO accountant obtains property reports from DPROB and reconciles the balances to the general ledger. An FMO supervisory accountant reviews and approves the reconciliation. **[KC11 – The property subsidiary ledger is reconciled to the general ledger on**

## Example Business Process Narrative #2

**a regular basis.]** Any variances are researched and resolved by the FMO accountant and Logistics.

### ***Key Personnel/Process Owners:***

Name	Title	Department	Contact Information
Susan Smith	Division Chief	Logistics Mgmt.	Email/telephone contact info
John Doe	Property Specialist	Logistics	Email/telephone contact info
Mary Jones	Branch Chief	Financial Mgmt.	Email/telephone contact info
Joe Carrier	Warehouse Tech	CONUS Warehouse	Email/telephone contact info
Sally Kayo	Contract Specialist	DCA Contracting	Email/telephone contact info
Al Neuman	Property Custodian	Facilities Mgmt.	Email/telephone contact info

### ***Risks of Material Misstatement:***

ROMM #1: Unauthorized G-PP&E transactions may occur and not be prevented or detected in a timely manner.

ROMM #2: Recorded G-PP&E may not exist at a given date, or may not be supported by adequate supporting documentation.

ROMM#3: The reporting entity may not have rights to recorded G-PP&E.

ROMM #4: G-PP&E and all transactions they accumulate are valued on an inappropriate basis.

ROMM #5: Depreciation or Amortization expense is calculated improperly and recorded at incorrect amounts (FAM 395B: 9, 11).

ROMM #6: Valid G-PP&E exist but are omitted from the APSR and/or general ledger.

ROMM #7: Recorded G-PP&E may not be properly classified and described in the APSR and general ledger.

### ***Financial Reporting Objectives:***

FRO#1: All G-PP&E transactions are authorized and approved by an appropriate authorizing official.

FRO#2: Recorded G-PP&E exists at a given date, are supported by appropriate detailed records that are accurately summarized and reconciled to the account balance.



## Example Business Process Narrative #2

FRO #3: The reporting entity has rights to recorded G-PP&E.

FRO #4: All valid G-PP&E is recorded in the APSR and general ledger.

FRO #5: G-PP&E balances and all the transactions they accumulate are recorded at correct amounts, are properly classified and described in the financial statements.

FRO #6: Depreciation or Amortization Expense is recorded at correct amounts, based on the capitalized cost, useful life, date of service, and salvage value of the asset, and is measured properly.

FRO #7: Recorded G-PP&E is properly classified and described in the APSR and general ledger.

### ***Key Control Activities:***

- KC1 – An authorized official must review and approve each Equipment Purchase Request form before a purchase can be made.
- KC2 – The Funds Certifying Official verifies funding citation and certifies availability of funds.
- KC3 – An obligation can only be recorded once the contract is signed by an authorized official and verified by a Budget Analyst.
- KC4 – Receiving department conducts inspections of all equipment received and acknowledges receipt and acceptance of equipment on the DD-250.
- KC5 – The Property Custodian verifies receipt and barcoding of the assets, and enters the assets into the accountable property system of record.
- KC6 – An accountant in FMO reviews all equipment acquisition cost for accuracy.
- KC7 – The Logistics Property Specialist verifies property type in DPROP to ensure the correct useful life is used for depreciation.
- KC8 – Dispositions or transfers of G-PP&E must be approved by a supervisor.
- KC9 – The Accountable Property Officer reviews the asset record and supporting documentation to ensure that the disposal/transfer was recorded accurately and completely.
- KC10 – Physical assets are periodically compared to the accounting records for accuracy.
- KC11 – The property subsidiary ledger is reconciled to the general ledger on a regular basis.

### ***Key Systems Used:***

*DCA General Ledger System, (GLSYS)* is the online financial management system that manages DCA's general ledger, financial reporting, Accounts Payable and Disbursements and Accounts Receivable and Collections functions.

The *PROCURE* system, which is operated by the Joint Program Management Office (JPMO), supports the acquisition of goods and services from initial request to formation of contracts through contract close-out.

## Example Business Process Narrative #2

The *DCA Budget Execution System (DBEX)* is DCA-owned system developed to provide budget formulation, funds control and budget execution functions for DCA.

The *DCA Property Management System (DPROP)* is a DFAS-owned accountable property management and tracking system used by DCA, which provides financial and reporting functionality for managing property. DPROP calculates depreciation and interfaces with GLSYS.

*Wide Area Work Flow (WAWF)* is an internet-based system that enables electronic form submission of Invoices, government inspection, and acceptance documents. It provides the technology for government contractors and authorized DoD personnel to generate, capture, and process receipt and payment-related documentation online.

### ***Key Supporting Documents:***

Equipment Purchase Request  
Material Inspection and Receiving Report, Form DD-250  
Vendor Invoice

### ***General Ledger Account Codes:***

1750 Major Equipment (non-ADP)  
1751 General Equipment (non-ADP)  
1752 ADP Equipment  
1758 Accumulated Depreciation of Non-ADP Equipment  
1759 Accumulated Depreciation of ADP Equipment  
1760 Software  
1769 Accumulated Depreciation of Software  
1770 Leasehold Improvements  
1779 Accumulated Depreciation of Leasehold Improvements  
1780 Furniture  
1789 Accumulated Depreciation of Furniture  
1790 Pending Assets

### ***Relevant Laws, Regulations, Policies and Procedures:***

- Department of Defense (DoD) Federal Management Regulation (FMR) Volume 4, Chapter 6, *Property, Plant and Equipment*
- DCA Directive 5800, Volume I, Section 3, *Accountable Property*
- DCA Acquisition Directorate, *Desk Procedures*, updated September 2011
- DCA Logistics Management, *Policies and Procedures*

### ***Interfaces with Other Business Cycles:***

Procure-to-Pay  
Financial Reporting  
Budget

## Business Process Flowchart Instructions

### Financial Improvement and Audit Readiness Methodology Assertion Work Product Example Business Process Flowchart Instructions

*Detailed Activity 1.3.1 – Prepare Process and System Documentation (Reporting Entities)*  
*Detailed Activity 1.5.1 – Prepare Process and Controls Documentation (Service Providers)*

**NOTE:** This document contains detailed instructions for preparing a business process flowchart. The document identifies the key information required to be included in the flowchart, including identification of key process owners, key risks, key control activities, key systems and supporting documentation, and an illustrative description of business processes at a summary level. *You can construct a flowchart using either Microsoft Word®, Microsoft Visio®, or another appropriate software program. With Microsoft Visio®, it will be easier to construct and connect the symbols.*

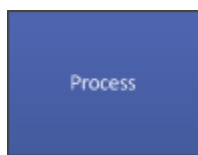
A business process flowchart is a diagram that chronologically depicts the steps in a business process. It provides a graphical illustration of an end-to-end process at a summary level. The flowchart complements the business process narrative by allowing the reader to obtain a clear understanding of the process at a high level without having read the detailed narrative. The flowchart summarizes the significant transaction flows in terms of inputs and outputs, processing steps, files and data used, control activities performed, and any interfaces with other business cycles. *The information contained in the flowchart MUST BE consistent with the information presented in the process narrative.*

1. **Preparer Name:** Enter the name of the person preparing the business process flowchart.
2. **Date Prepared:** Enter the date the business process flowchart is prepared.
3. **Reporting Entity:** Enter the name of the reporting entity (e.g., Army, Navy, Air Force) or other defense organization (i.e., DCMA, DTRA, DLA).
4. **Business Process/Assessable Units and Sub-processes:** Enter the name of the high level end to end business cycle (i.e., Hire to Retire, Procure to Pay, Budget to Report) and specific sub-process associated with the control activity (i.e., reconciliation of military payroll).
5. **Purpose/Scope:** Identify the scope of the process being depicted in the flowchart. The scope should be specific and narrowly focused on the specific process (i.e., DCA Military Pay Gross-to-Net (G2N) Reconciliation process (a sub-assessable unit of the Military Pay process)).
6. **Illustrative Process Depiction at a Summary Level:** Provide a description of the process at a summary level using different figures and shapes. The process must be documented in chronological order, or the order in which it occurs. Ensure that the following are included in the process flowchart:

## Business Process Flowchart Instructions



- a. **Start/End:** Identify the start and end of the process.



- b. **Process:** Provide a description of the process at a summary level. Ensure that the title/role of person executing the transaction or performing the process is clearly identified.



- c. **Risks of Material Misstatement (ROMM):** Within the process flowchart, identify the key risk(s) of material misstatement which may occur in the financial statement line item, accounting application and associated business process. Note: The risk of material misstatements must be obtained from the listing of key risk(s) of material misstatements in Appendix C (sections C.1.2, C.2.2, C.3.2 and C.4.2) of the FIAR Guidance.



- d. **Key Control Activities:** Identify the control activities within the process that are currently in place to mitigate the key risk(s) of material misstatement and achieve the aforementioned financial reporting objective(s). Include a detailed description of the control activity, noting the following:
- Who performs the control activity? For manual control activity, there should be a preparer and reviewer/approver.
  - How is the control activity performed?
  - How is the control activity performed?
  - How is performance of the control activity documented (i.e., what forms are used)?
  - How is performance of the control activity evidenced (i.e., signature and date on form)



- e. **Key Systems Used:** Identify all relevant systems that are used to process transactions or store key supporting documents.

## Business Process Flowchart Instructions



- f. **Key Supporting Documents:** Identify the documents that support execution of the processes or transactions (i.e., timesheets, invoices, payment vouchers, earnings and leave statements, DD-254, employee pay schedules, etc.) Also identify the location where the documents are stored (i.e., system names for electronic documentation or physical location for physical hard copy documentation).



- g. **Decision:** Identify the point in the process where a decision is necessary, commonly a Yes/No question or True/False test.

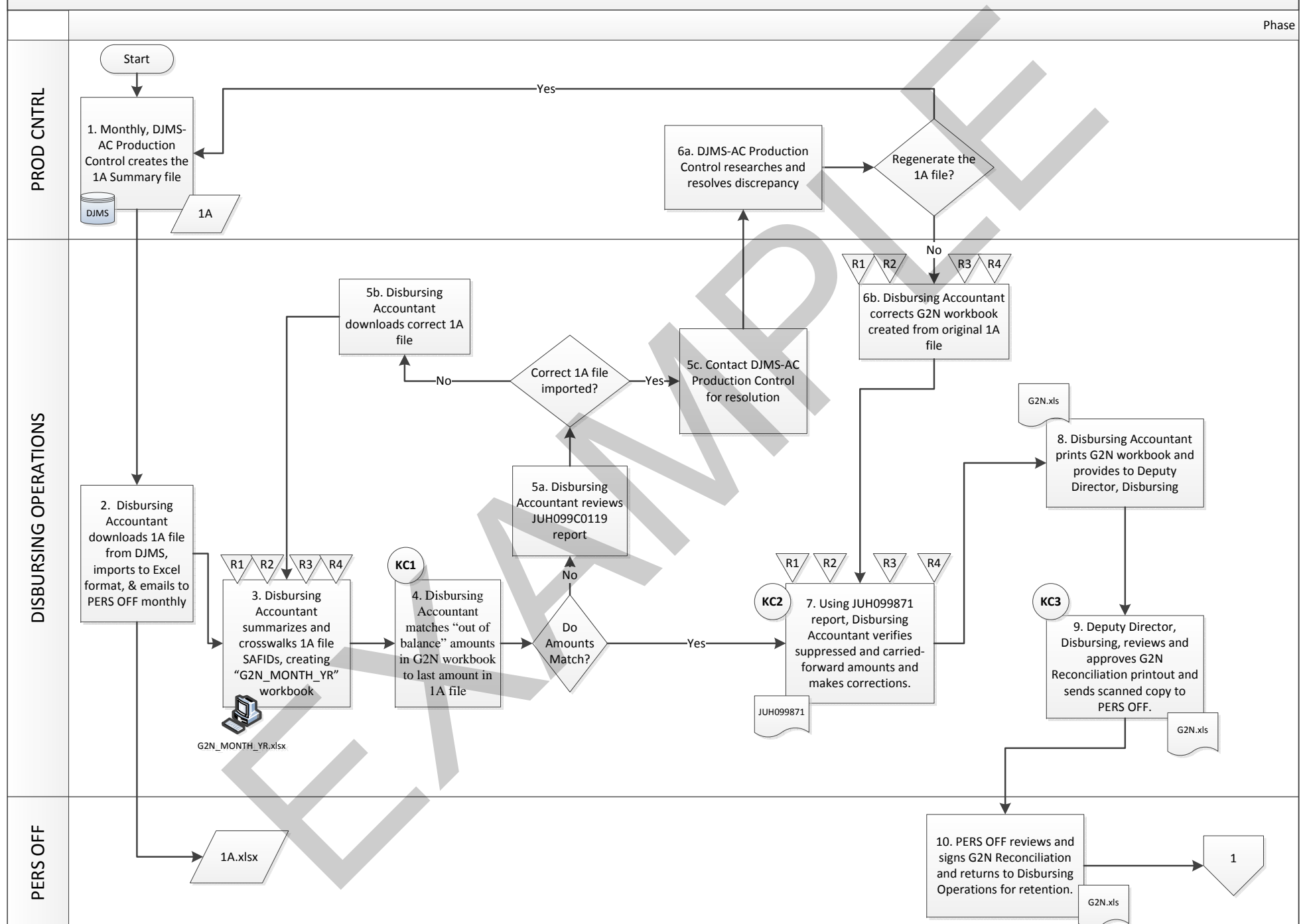


- h. **Off Page Connector:** Used to show the continuation of the flow from one page to another. When you reach the bottom of the page and need to continue the flowchart on the next page, draw this symbol and connect it to the last item on the chart. Label it with a letter or number to indicate where the process continues.



- i. **Incoming Connector:** Used to show the continuation of the flow from the previous page. At the top of the page, draw this symbol and connect it to the first item on the chart where the process description continues from the previous page. Label it with a letter or number to indicate the page that the process is being continued from.

## Military Pay Gross-to-Net Reconciliation



## Military Pay Gross-to-Net Reconciliation

