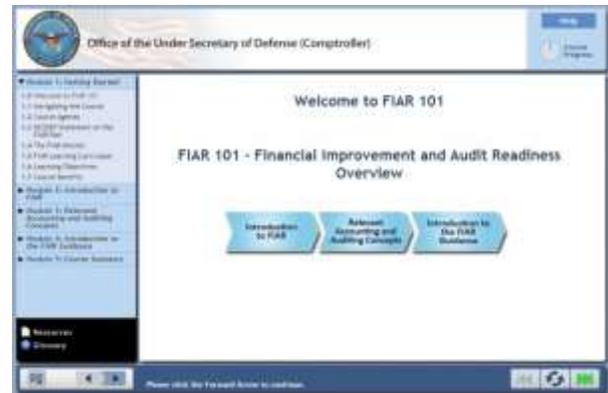


OUSD(C) Web-based Curriculum Development

Financial Improvement and Audit Readiness 101

(FIAR 101)

December 2011



Welcome

Welcome to FIAR 101. This course introduces you to the Financial Improvement and Audit Readiness (FIAR) Plan and the reasons it was adopted. This course discusses the DoD's state of FIAR, introduces key accounting/auditing concept and discusses the FIAR Guidance and its purpose. The course has been designed and developed by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), FIAR Directorate. This course is designed to provide an overview of the aforementioned topics rather than an in-depth discussion of each topic. This is designed for all Department employees and service members. There are no prerequisites for this course.

Please click the Forward arrow to continue.

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Navigation and Course Features

	Resources offer additional information on the course subject. The Glossary defines essential DoD and financial management tools.
	Closed Captioning can be displayed in the lower bar. Closed Captioning is turned off by default. Click the button to turn it on/off.
	Use the Audio Controls to adjust volume and to pause/play narration and closed caption text.
	Use the Forward and Back arrows to navigate and the Refresh button to refresh/restart the current screen.
	Click Help , in the top right corner of the screen, to view these instructions at any time during the course.

new You can download and print a PDF version of this course for reference by [clicking here!](#)

CC Please click the Forward Arrow to continue.

Navigation and Course Features

Two important elements of this course are the Resources and Glossary of terms. Resources offer additional information on the course subject. The Glossary defines essential DoD and financial management tools used in this course. Links to both are located on the bottom of the left-hand navigation menu. Closed Captioning can be displayed in the lower bar.

Closed Captioning can be displayed in the lower bar. Closed Captioning is turned “off” by default. Click the Closed Caption button to turn it on or off based on your preference. The on/off button is located in the bottom-left menu tray.

Use the Audio Controls to adjust volume and to pause or play narration and Closed Caption text. The audio controls are also located in the bottom-left menu tray.

Use the Forward and Back arrows to navigate the course screens and the Refresh button to refresh or restart a current screen. These controls are located in the bottom-right menu tray.

Click Help, in the top right corner of the screen, to view these instructions at any time during the course.

Now, you can download and print the PDF version of this course for reference by clicking on the link at the bottom of this screen. You will also be able to find the PDF version of this course in the Resources section, and may download the file at any time. There will also be a download link provided on the final screen of this course as a reminder.

Please click the Forward arrow to continue.

Navigation and Course Features (cont.)

To complete the course, please work through each module and screen, and complete each Knowledge Check.

You will not be able to advance until you have completed each screen.

You may use the left-hand navigation menu and the Table of Contents to move between course screens; however, links for screens that have not been completed will not be enabled.

At the end of the course, you must complete a final exam to obtain CPE credit. A minimum score of 70% is required to receive credit. You will have up to one year from the date you begin this course to complete the course and achieve the required score on the final exam.

If you need to leave the course and cannot complete it, the system will automatically bookmark the last page visited and will send you there when you return to the course.

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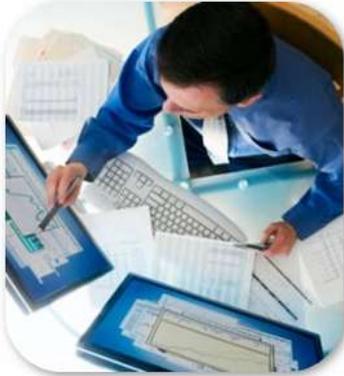
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FIAR 101 Course Agenda:

- Getting Started
- Introduction to FIAR & Its Value
- Relevant Accounting & Auditing Concepts
- Introduction to the FIAR Guidance
- Course Summary

Click the Forward Arrow to continue.

Course Agenda

- This five-module course begins with Getting Started
- Followed by Introduction to FIAR and Its Value
- Next is the Relevant Accounting & Auditing Concepts module
- After that is the Introduction to the FIAR Guidance module
- Last is the Course Summary

Click the Forward arrow to continue.

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The Secretary of Defense's Statement on the FIAR Plan:

"Today DoD is one of only two major agencies that has never had a clean audit opinion on its financial statements. That is inexcusable, and it must change. The department has made significant progress toward meeting the congressional deadline for audit-ready financial statements by 2017, with a focus on first improving the categories of information that are most relevant to managing the budget."

The Honorable Leon E. Panetta, Secretary of Defense, October 13, 2011

Click the Forward Arrow to continue.

SECDEF Statement on the FIAR Plan

“Today DoD is one of only two major agencies that has never had a clean audit opinion on its financial statements. That is inexcusable, and it must change. The department has made significant progress toward meeting the congressional deadline for audit-ready financial statements by 2017, with a focus on first improving the categories of information that are most relevant to managing the budget”.

The Honorable Leon E. Panetta, Secretary of Defense, October 13, 2011

Click the Forward arrow to continue.

The screenshot shows a web-based training interface. At the top left is the Department of Defense seal and the text 'Office of the Under Secretary of Defense (Comptroller)'. At the top right are 'Help' and 'Course Progress' buttons. A left sidebar contains a table of contents with items like 'Module 1: Getting Started', 'Module 2: Introduction to FIAR', and 'Resources'. The main content area is titled 'FIAR Mission' and contains the text: 'The FIAR Mission: > FIAR stands for *Financial Improvement and Audit Readiness* > The FIAR Mission is "to improve the financial information most often used by Department of Defense decision makers" so that it is accurate, reliable and relevant, and DoD entities are ready to be audited > FIAR was adopted by the Department of Defense in 2005 to ensure DoD finances are appropriately documented and auditable'. At the bottom, there are navigation arrows and the text 'Please click the Forward Arrow to continue.'

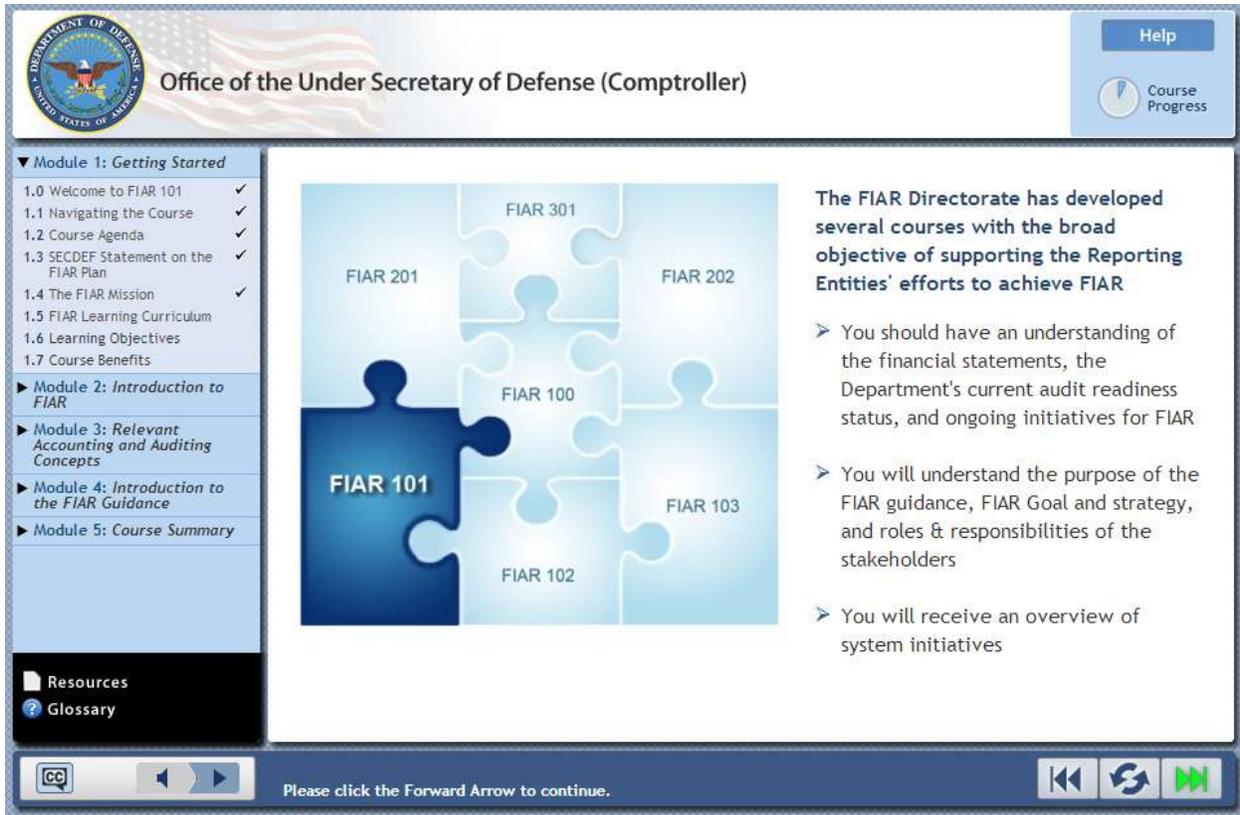
The FIAR Mission

FIAR stands for Financial Improvement and Audit Readiness

The FIAR Mission is "to improve the financial information most often used by Department of Defense decision makers" so that it is accurate, reliable, and relevant, and DoD entities are ready to be audited

FIAR was adopted by the Department of Defense in 2005 to ensure DoD finances are appropriately documented and auditable

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FIAR 101

FIAR 301

FIAR 201

FIAR 202

FIAR 100

FIAR 103

FIAR 102

The FIAR Directorate has developed several courses with the broad objective of supporting the Reporting Entities' efforts to achieve FIAR

- ▶ You should have an understanding of the financial statements, the Department's current audit readiness status, and ongoing initiatives for FIAR
- ▶ You will understand the purpose of the FIAR guidance, FIAR Goal and strategy, and roles & responsibilities of the stakeholders
- ▶ You will receive an overview of system initiatives

Please click the Forward Arrow to continue.

FIAR Learning Curriculum

The FIAR Directorate has developed several courses with the broad objective of supporting the Reporting Entities' efforts to achieve FIAR. At the end of this course, you should have an understanding of the financial statements, the Department's current audit readiness status, and ongoing initiatives for FIAR. You will understand the purpose of the FIAR guidance, FIAR Goal and strategy, and roles & responsibilities of the stakeholders. Lastly, you will receive an overview of system initiatives. Please click the Forward arrow to continue.

Office of the Under Secretary of Defense (Comptroller)

At the conclusion of this course, you will be able to:

- Understand financial statements and their content
- Recognize the Department's financial improvement and audit readiness (FIAR) status
- Understand relevant accounting and audit readiness concepts
- Understand the FIAR goal
- Recognize the FIAR priorities and objectives
- Communicate the FIAR strategy
- Describe the FIAR strategy's link to the DoD strategic management plan
- Understand the Department's system transformation initiatives
- Describe the roles and responsibilities of the various stakeholders responsible for developing and executing the FIAR guidance

Click the Forward Arrow to continue.

Course Learning Objectives

Now we will review the objectives for this FIAR course. At the conclusion of this course, you will be able to:

- Understand financial statements and their content
- Recognize the Department's financial improvement and audit readiness (FIAR) status
- Understand relevant accounting and audit readiness concepts
- Understand the FIAR Goal

Additionally, you will be able to:

- Communicate the FIAR strategy
- Describe the FIAR strategy's link to the DoD strategic management plan
- Understand the Department's system transformation initiatives
- Describe the roles and responsibilities of the various stakeholders responsible for developing and executing the FIAR guidance

Click the Forward arrow to continue.

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By applying the information learned in this session to financial improvement and audit readiness efforts, you will be able to:

- ▶ Help ensure your Reporting Entity's audit readiness efforts follow the FIAR Guidance
- ▶ Increase focus on the Under Secretary of Defense (Comptroller)'s audit readiness priority areas by following the FIAR's strategy for achieving the FIAR's goal, priorities, and objectives
- ▶ Better integrate audit readiness and system transformation initiatives, maximizing the synergy between the two initiatives
- ▶ Improve your understanding of relevant accounting and auditing concepts that relate to audit readiness efforts
- ▶ Be better prepared and equipped to improve business processes and provide improved financial information to decision makers

Click the Forward Arrow to continue.

Course Benefits

By applying the information learned in this session to your financial improvement and audit readiness efforts, you will be able to:

- Help ensure your Reporting Entity's audit readiness efforts follow the FIAR Guidance
- Increase focus on the Under Secretary of Defense (Comptroller)'s audit readiness priority areas by following the FIAR's strategy for achieving the FIAR's goals, priorities, and objectives

Additionally, you will be able to:

- Better integrate audit readiness and system transformation initiatives, maximizing the synergy between the two initiatives
- Improve your understanding of relevant accounting and auditing concepts that relate to audit readiness efforts
- Be better prepared and equipped to improve business processes and provide improved financial information to decision makers

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Click the Forward Arrow to continue.

MODULE 2:
Introduction to FIAR & Its Value

Introduction to FIAR

Relevant Accounting and Auditing Concepts

Introduction to the FIAR Guidance

Module 2 Introduction: Introduction to FIAR & Its Value

In this module we will cover the day to day operations and their impact on the financial statements and the current state of financial operations. This module also provides a brief overview of requisite knowledge and the FIAR Guidance, which are covered in detail in the other modules. We will close this module with a discussion about the value of FIAR to the Department.

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```
graph LR; A((Formulate Budget)) --> B((Obtain Funding)); B --> C((Commit and Obligate Funds)); C --> D((Receive Goods/Services)); D --> E((Disburse Funds)); E --> F((Report on Status of Funds));
```

Once you have reviewed each step, click the Forward arrow to continue.

Day to Day Business Operations Overview

This chart is an overview of the Day to Day business operations, repeated multiple times per day, across the Department. Click each step in the process to learn more.

Once you have reviewed each step, click the Forward arrow to continue.

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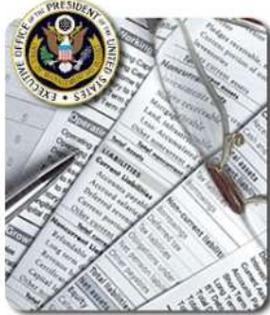
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Report on Status of Funds

Formulate Budget:



The Department formulates a budget and submits it to the Office of Management and Budget (OMB) for a request of necessary funding to sustain operations. The OMB combines the budgets submitted by each of the Federal Agencies and develops the President's Budget, which is submitted to the Congress.

Once you have reviewed each step, click the Forward arrow to continue.

Day to Day Business Operations Overview, Formulate Budget

The Department formulates a budget and submits it to the Office of Management and Budget (OMB) for a request of necessary funding to sustain operations. The OMB combines the budgets submitted by each of the Federal Agencies and develops the President's Budget, which is submitted to the Congress.

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Report on Status of Funds

Once you have reviewed each step, click the Forward arrow to continue.

Obtain Funding:



Congress reviews the funding request and approves the requested funds, as it deems appropriate. There are several detailed steps for this lengthy process, but it is not the intent of this course. Therefore, we will not cover this process in detail, but rather highlight some activities which are pertinent to the discussion of this course.

Day to Day Business Operations Overview, Obtain Funding

Congress reviews the funding request and approves the requested funds, as it deems appropriate. There are several detailed steps for this lengthy process, but it is not the intent of this course. Therefore, we will not cover this process in detail, but rather highlight some activities which are pertinent to the discussion of this course.

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Report on Status of Funds

Commit and Obligate Funds:



Once Congress approves the funding, the Reporting Entity is then allowed to commit those funds and enter into contracts for executing its mission.

Once you have reviewed each step, click the Forward arrow to continue.

Day to Day Business Operations Overview, Commit and Obligate Funds

Once Congress approves the funding, the Reporting Entity is then allowed to commit those funds and enter into contracts for executing its mission.

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Report on Status of Funds

Receive Goods/Services:



Goods or services are received by the Reporting Entity.

Please click the "X" button on the upper-right side to return to the prior screen.

Once you have reviewed each step, click the Forward arrow to continue.

Day to Day Business Operations Overview, Receive Goods/Services

Goods or services are received by the Reporting Entity.

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Report on Status of Funds

Disburse Funds:

INVOICE

Sold to _____ Ship to _____

Quantity	Price	Amount

Upon receipt of the goods and/or services, such as supplies, equipment, the Reporting Entity disburses funds to the vendors. These transactions are recorded in the Reporting Entity's general ledger system and other non-financial systems to track the cost of the items purchased such as uniforms, supplies, equipment as well as other information such as location, quantities, etc.

Once you have reviewed each step, click the Forward arrow to continue.

Day to Day Business Operations Overview, Disburse Funds

Upon receipt of the goods and/or services, such as supplies, equipment, the Reporting Entity disburses funds to the vendors. These transactions are recorded in the Reporting Entity's general ledger system and other non-financial systems to track the cost of the items purchased such as uniforms, supplies, equipment as well as other information such as location, quantities, etc.

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Report on Status of Funds

Once you have reviewed each step, click the Forward arrow to continue.

Report on Status of Funds:

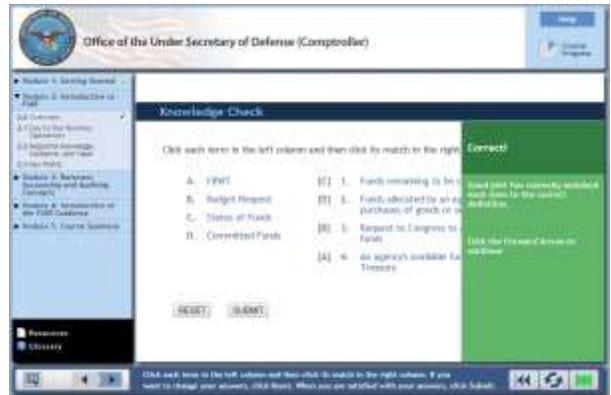
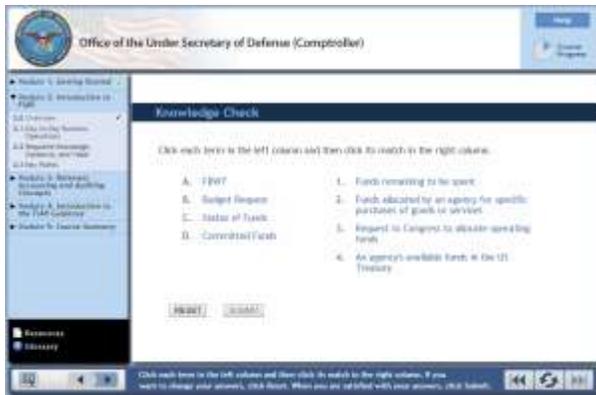


Periodically throughout the year, the Reporting Entity prepares financial statements summarizing the cost of the transactions, value of the assets and liabilities, and the status of funding (budgetary resources). The Reporting Entity also uses the same data to prepare management reports, for example the status of obligations and available funds. Furthermore, the same financial data can be used to make decisions regarding future operations, such as whether to continue or expand programs or re-program funding.

Day to Day Business Operations Overview, Report on Status of Funds

Periodically throughout the year, the Reporting Entity prepares financial statements summarizing the cost of the transactions, value of the assets and liabilities, and the status of funding (budgetary resources). The Reporting Entity also uses the same data to prepare management reports, for example the status of obligations and available funds. Furthermore, the same financial data can be used to make decisions regarding future operations, such as whether to continue or expand programs or re-program funding.

Please click the "X" button on the upper-right side to return to the prior screen.



Module 1 Knowledge Check

We have covered several terms and concepts related to the Day to Day Business Operations of the Department, so let's take a moment to check for understanding. Click each term in the left column and then click its match in the right column. If you want to change your answers, click Reset.

When you are satisfied with your answers, click Submit.

Screen Text:

Left column

- A. FBWT
- B. Budget Request
of goods or services
- C. Status of Funds
- D. Committed Funds

Right Column

- 1. Funds remaining to be spent
- 2. Funds allocated by an agency for specific purchases
- 3. Request to Congress to allocate operating funds
- 4. An agency's available funds in the Treasury.

Answers

- A= 4
- B= 3
- C= 1
- D= 2


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2.1 Day to Day Business Operations

<p>Formulate Budget</p> 	<p>Obtain Funding</p> 	<p>Commit and Obligate Funds</p> 
<p>Receive Goods/Services</p> 	<p>Disburse Funds</p> 	<p>Report on Status of Funds</p> 



When you have reviewed each step in the process, click the Forward arrow.


Day to Day Business Operations, Continued

Now that we have discussed the basic Day to Day business operations, let us look at how these transactions impact the financial statements and management reports, such as status of funds, inventory on-hand, etc. Click the X button to the right of each bullet item to learn more about each step in the process.

When you have reviewed each step in the process, click the Forward arrow.

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Formulate Budget:



Starting with Formulate Budget - Reporting Entities use financial statements and management reports that provide the details of the cost of operations for previous years as well as other information for determining the funding needs and developing the budget for the future year(s).

When you have reviewed each step in the process, click the Forward arrow.

Day to Day Business Operations, Formulate Budget

Starting with Formulate Budget – Reporting Entities use financial statements and management reports that provide the details of the cost of operations for previous years as well as other information for determining the funding needs and developing the budget for the future year(s).

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When you have reviewed each step in the process, click the Forward arrow.

Obtain Funding:



Once the Reporting Entity obtains funding from the Congress, the amounts are recorded on the Statement of Budgetary Resources (SBR), as Budget Authority, and the Balance Sheet, as Fund Balance with Treasury (FBWT). We will discuss the SBR and the Balance Sheet in greater detail later in this course.

Day to Day Business Operations, Obtain Funding

Once the Reporting Entity obtains funding from the Congress, the amounts are recorded on the Statement of Budgetary Resources (SBR), as Budget Authority, and the Balance Sheet, as Fund Balance with Treasury (FBWT). We will discuss the SBR and the Balance Sheet in greater detail later in this course.

Please click the “X” button on the upper right side to return to the prior screen.

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When you have reviewed each step in the process, click the Forward arrow.

Commit and Obligate Funds:



Committing funds is the process to set aside and reserve funds to purchase goods/services. The funds are obligated when the Reporting Entity enters into a contract for goods/services, (for example, contract for supplies, purchase of equipment, Military Interdepartmental Purchase Request (MIPR), Purchase Orders), and these transactions are recorded on the SBR as Obligations.

Day to Day Business Operations, Commit and Obligate Funds

Committing funds is the process to set aside and reserve funds to purchase goods/services. The funds are obligated when the Reporting Entity enters into a contract for goods/services, (for example, contract for supplies, purchase of equipment, Military Interdepartmental Purchase Request (MIPR), Purchase Orders), and these transactions are recorded on the SBR as Obligations.

Please click the “X” button on the upper right side to return to the prior screen.

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2.1 Day to Day Business Operations

Receive Goods/Services:



Once the goods or services are delivered, they are recorded as Delivered Orders on the Statement of Budgetary Resources. Record as an Asset and Liability on Balance Sheet, and/or Program Cost on Statement of Net Cost (SNC).

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When you have reviewed each step in the process, click the Forward arrow.

Day to Day Business Operations, Receive Goods/Services

Once the goods or services are delivered, they are recorded as Delivered Orders on the Statement of Budgetary Resources. Record as an Asset and Liability on Balance Sheet, and/or Program Cost on Statement of Net Cost (SNC).

Now please click the “X” button on the upper right side to return to the prior screen.

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Disburse Funds:



When the Reporting Entity receives the goods or services, it pays the vendor. The amount paid is recorded on the SBR as Delivered Orders, the Statement of Net Cost (SNC) as Program Cost, and/or the Balance Sheet as an Asset, (such as equipment), depending on the goods or services purchased. The accounting treatment of the transaction is based on accounting requirements issued by the FASAB to ensure conformity to generally accepted accounting principles. We will discuss the SBR, SNC, and Balance Sheet, as well other financial statements later in this course.

When you have reviewed each step in the process, click the Forward arrow.

Day to Day Business Operations, Disburse Funds

When the Reporting Entity receives the goods or services, it pays the vendor. The amount paid is recorded on the SBR as Delivered Orders, the Statement of Net Cost (SNC) as Program Cost, and/or the Balance Sheet (BS) as an Asset, (such as equipment), depending on the goods or services purchased. The accounting treatment of the transaction is based on accounting requirements issued by the FASAB to ensure conformity to generally accepted accounting principles. We will discuss the SBR, SNC, and BS, as well other financial statements later in this course.

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Report on Status of Funds:



Periodically, the Reporting Entity's accounting/financial reporting staff, (usually the CFO Shop), prepares the financial statements that provide: status of Funds for the fiscal year on the SBR; net cost of operations the fiscal year on the SNC; assets, liabilities, and net position as of end of the fiscal year on the Balance Sheet; and financing sourcing for the year on the SCNP.

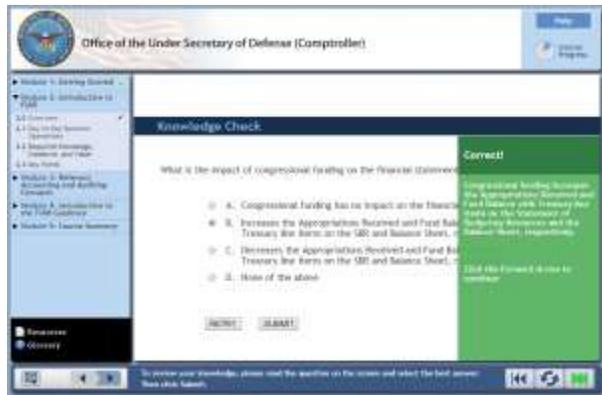
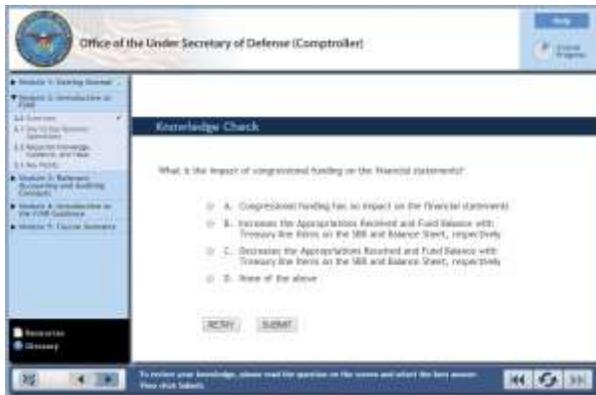
When you have reviewed each step in the process, click the Forward arrow.

Day to Day Business Operations, Report on Status of Funds

Periodically, the Reporting Entity's accounting / financial reporting staff, (usually the CFO Shop), prepares the financial statements that provide:

- Status of Funds for the fiscal year on the SBR;
- Net cost of operations the fiscal year on the SNC;
- Assets, liabilities, and net position as of end of the fiscal year on the Balance Sheet;
- and Financing sourcing for the year on the SCNP.

Please click the "X" button on the upper right side to return to the prior screen.



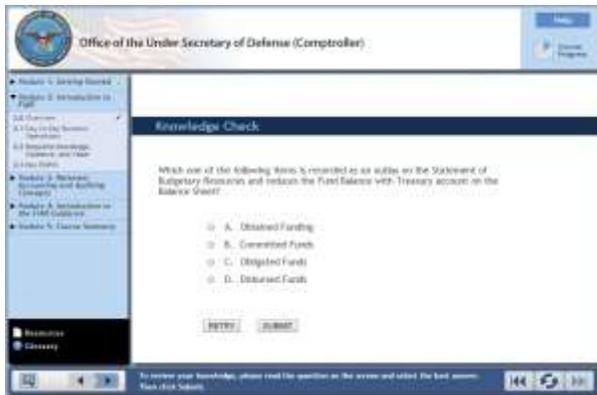
Module 2 Knowledge Check

To review your knowledge, please read the question on the screen and select the best answer.

Then click Submit.

Correct Feedback Screen Text: Answer B is correct because Congressional funding increases the Appropriations Received and Fund Balance with Treasury line items on the Statement of Budgetary Resources and the Balance Sheet, respectively. Click the Forward arrow to continue.

Incorrect Feedback Screen Text: Answer A is incorrect because Incorrect. Congressional funding increases the Appropriations Received and Fund Balance with Treasury line items on the Statement of Budgetary Resources and the Balance Sheet, respectively. Answer C is Incorrect Incorrect. Congressional funding increases, not decreases, the Appropriations Received and Fund Balance with Treasury line items on the Statement of Budgetary Resources and the Balance Sheet, respectively. Answer D is incorrect Congressional funding increases the Appropriations Received and Fund Balance with Treasury line items on the Statement of Budgetary Resources and the Balance Sheet, respectively. Click the Forward arrow to continue.



Module 2 Knowledge Check

To review your knowledge, please read the question on the screen and select the best answer.

Then click Submit.

Correct Feedback Screen Text: Answer D is correct: Disbursed Funds are recorded as outlays on the SBR and reduce the FBWT on the balance sheet. Click the Forward arrow to continue.

Incorrect Feedback Screen Text: Answer A is incorrect because Obtained Funding is when the appropriation is received and recorded as "budget authority" on the SBR. Answer B is Incorrect because Committed Funds are "reserved" or "set aside" in anticipation of future purchases. Answer C is incorrect because funds become obligated when they enter into a contract to purchase goods/services. Click the Forward arrow to continue.

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2.1 Current State of Financial Operations

Formulate Budget → Obtain Funding → Commit and Obligate Funds → Receive Goods/Services → Disburse Funds → Report on Status of Funds

Control Weaknesses

- Errors in recorded transactions
- Insufficient document trail showing approval
- Incorrect recording of transactions
- Unrecorded events

Supporting Documentation

- Inadequate documentation for recorded transactions
- Weakness in document retention policies

Complex Legacy Systems

- Multiple systems to record a single transaction
- Weakness in interfacing data from one system to another

Unreliable Financial Statements & Management Reports

Click each thumbnail image to learn more about these weaknesses. When you are finished, click the Forward arrow to continue.

Current State of Financial Operations

Now that you have an understanding of the Day to Day operations and their impact on the Department's financial statements, let's discuss the current state of the Department's financial operations. The Department and its components have numerous material weaknesses; for example, property, plant, and equipment (PP&E), which are preventing auditability of its financial statements, sometimes rendering the financial statements and management reports unreliable. These material weaknesses have prevented the Department's financial statements from being audited as required by law, the Chief Financial Officer Act of 1990 (CFO Act). Unreliable financial statements and management reports are the results of three primary problems: control weaknesses, supporting documentation, and complex legacy systems. Click each thumbnail Image to learn more about these weaknesses.

When you are finished, click the Forward arrow to continue.

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2.1 Current State of Financial Operations

Control Weaknesses:

Control weaknesses include issues such as transaction errors that go undetected, insufficient review/approval of transactions, incorrect recording of transactions, or some transactions that are not ever recorded, such as environmental liabilities and contingent liabilities. In addition, business processes and underlying controls are not documented across the Department.

Control Weaknesses

- Errors in recorded transactions
- Insufficient document trail showing approval
- Incorrect recording of transactions
- Unrecorded events

Click each thumbnail image to learn more about these weaknesses. When you are finished, click the Forward arrow to continue.

Current State of Financial Operations, Control Weaknesses

Control weaknesses include issues such as transaction errors that go undetected, insufficient review/approval of transactions, incorrect recording of transactions, or some transactions that are not ever recorded, such as environmental liabilities and contingent liabilities. In addition, business processes and underlying controls are not documented across the Department.

Please click the “X” button on the upper right side to return to the prior screen.

Current State of Financial Operations, Supporting Documentation

Issues with supporting documentation, where there is a lack of consistent application of policies and procedures to prepare for and retain documentation of transactions, prevents the Department to support recorded transaction; such as value and ownership of existing assets. In other cases, prepared documentation is not retained consistently.

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2.1 Current State of Financial Operations

Report on Status of Funds

Complex Legacy Systems:

Complex Legacy Systems

- Multiple systems to record a single transaction
- Weakness in interfacing data from one system to another

Complex legacy systems require multiple systems to record a single transaction; for example recording obligation in one system and disbursement in another. Weaknesses with interfacing data from one system to another system results in loss of data due to weak edit checks and controls.

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Click each thumbnail image to learn more about these weaknesses. When you are finished, click the Forward arrow to continue.

Current State of Financial Operations, Complex Legacy Systems

Complex existing systems require multiple systems to record a single transaction; for example recording obligation in one system and disbursement in another. Weaknesses with interfacing data from one system to another system results in loss of data due to weak edit checks and controls.

Please click the “X” button on the upper right side to return to the prior screen.

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2.1 Current State of Financial Operations

Collectively, these problems result in unreliable financial statements and management reports because the transactions that comprise the financial statements and management reports contain errors that have not been identified and corrected. The Department has identified numerous initiatives to remediate these problems, to include:

- Identifying and implementing financial improvement initiatives
- Documenting processes and controls
- Identifying and correcting deficiencies of processes and controls
- Replacing antiquated systems with state-of-the-art Enterprise Resource Planning (ERP) systems, allowing for traceability of transactions from inception to reporting
- Developing training like this course, which promotes competency in FIAR

These initiatives will allow for improvement in financial operations and audit readiness.

Click the Forward Arrow to continue.

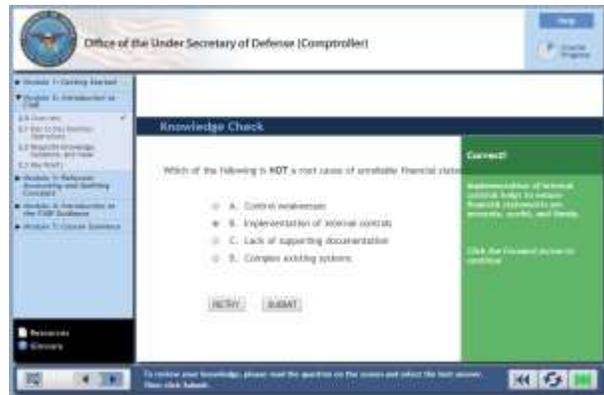
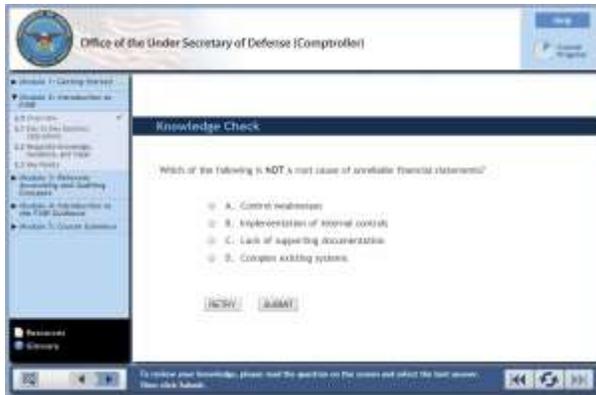
Current State of Financial Operations: Remediation Initiatives

Collectively, these problems result in unreliable financial statements and management reports because the transactions that comprise the financial statements and management reports contain errors that have not been identified and corrected. The Department has identified numerous initiatives to remediate these problems, to include:

- Identifying and implementing financial improvement initiatives
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- Identifying and correcting deficiencies of processes and controls
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- Developing trainings like this course, which promotes competency in FIAR

These initiatives will allow for improvement in financial operations and audit readiness.

Click the Forward arrow to continue.

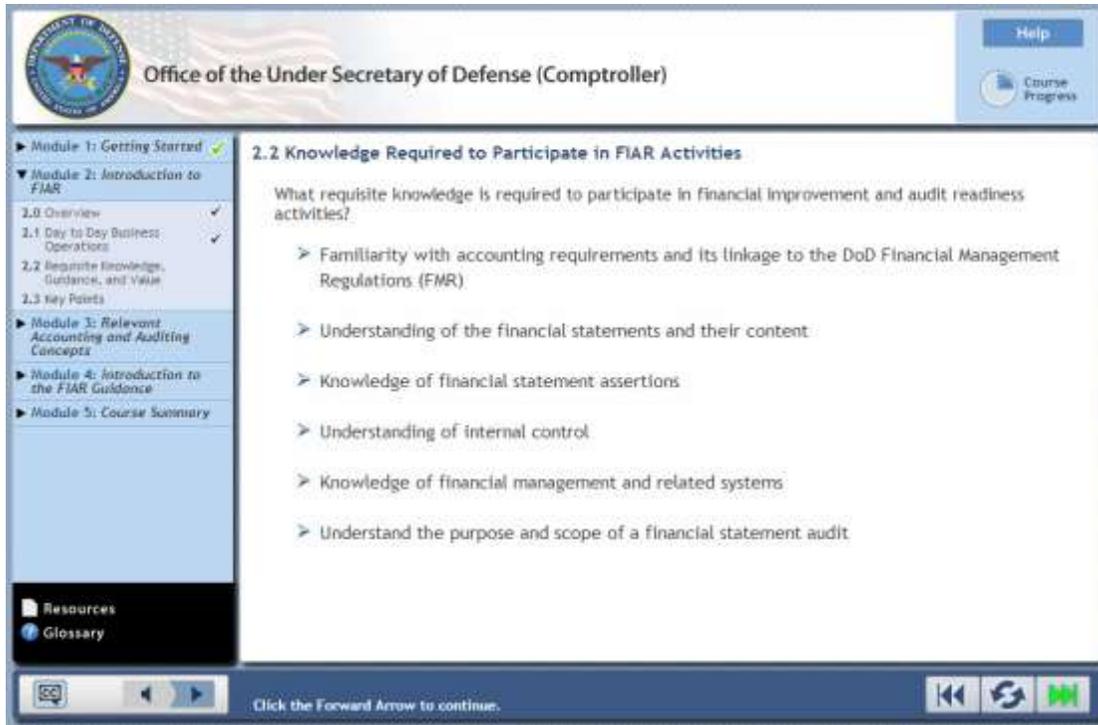


Module 2 Knowledge Check

To review your knowledge, please read the question on the screen and select the best answer. Then click Submit.

Correct Feedback Screen Text: Answer B is correct because implementation of internal controls helps to ensure financial statements are accurate, useful, and timely. Click the Forward arrow to continue.

Incorrect Feedback Screen Text: Answers A, C, and D are each incorrect because control weaknesses, lack of supporting documentation, and complex existing systems ARE the root cause of unreliable financial statements. Click the Forward arrow to continue.



2.2 Knowledge Required to Participate in FIAR Activities

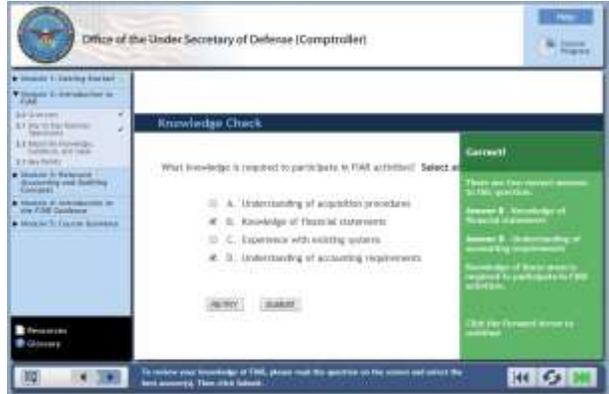
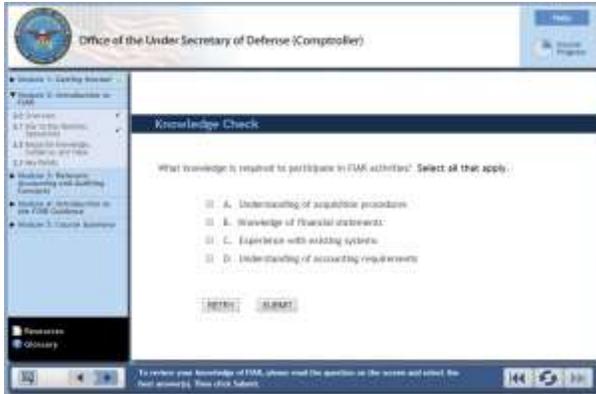
As we noted in the previous slide, the Department has undertaken numerous initiatives for FIAR. These initiatives require that personnel involved in the FIAR efforts have basic knowledge of certain accounting/auditing concepts.

- Specifically, personnel should know that accounting requirements are issued by the Federal Accounting Standards Advisory Board (FASAB) and these requirements are referred to as Federal generally accepted accounting principles (GAAP). OUSD(C) issues the DoD Financial Management Regulations (FMR), which is the Department regulation that has been prepared, based on FASAB requirements and tailored to meet DoD's operational needs. Better said, FASAB issues the requirements, and DoD FMR is the guidance on how to implement and comply with those requirements.
- Personnel should understand the impact of day to day transactions on financial statements.
- When management prepares financial statements, it has certain responsibilities, such as ensuring that all transactions that have occurred are recorded; assets that are recorded, exist and can be located; amounts for recorded transactions are correct and the entity owns the recorded assets; and disclosures are sufficient to meet the requirements. These are referred to as financial statements assertions and management is responsible for ensuring that these assertions are met.

Requisite knowledge required to participate in FIAR activities also includes:

- Personnel should also have a general understanding of the system of internal control and its purpose
- Personnel should also have a general understanding financial management and related systems
- Personnel also need to understand the purpose and scope of a financial statement audit.

Click the Forward arrow to continue.



Module 2 Knowledge Check

To review your knowledge of FIAR, please read the question on the screen and select the best answers.

Then click Submit.

Correct Feedback Screen Text: B & D - Knowledge of these areas is required to participate in FIAR activities. Click the Forward Arrow to continue.

Incorrect Feedback Screen Text: Answer A is incorrect because an understanding of acquisition procedures is not required to participate in FIAR activities. Answer C is incorrect because experience with existing systems is not required to participate in FIAR activities.

Please click the 'Retry' Button to try again.

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2.2 Other Factors Reporting Entities Need to Consider

In addition to requisite knowledge, are there other factors that the Reporting Entity needs to consider?

- Reporting entities initiating first-time audits often underestimate the level of effort to support the audit, especially in the first year due to the beginning balance testing
- A first-time audit includes an audit of transactions that occurred in previous years as well as the fiscal year that is under audit
- Reporting Entities are required to collect and submit supporting documentation

The Necessary Infrastructure should, at a minimum, include processes and personnel for:

- Performing audit coordination
- Coordinating document management
- Managing issues and findings

Now, click the Forward Arrow to continue.

Other Factors Reporting Entities Need to Consider

In addition to requisite knowledge, are there other factors that the Reporting Entity needs to consider?

Yes, reporting entities initiating first-time audits oftentimes underestimate the level of effort to support the audit, especially in the first year due to the large amount of beginning balance testing. A first-time audit includes an audit of transactions that occurred in previous years as well as the fiscal year that is under audit. Also, Reporting Entities are required to collect and submit supporting documentation for large statistical samples. For example, during the first-time audit of the U.S. Army Corps of Engineers (USACE), USACE provided supporting documentation for approximately 15,000 sample items.

To adequately prepare for these audits, Reporting Entities should establish an infrastructure and assign appropriate resources. The infrastructure should, at a minimum, include processes and personnel for:

- Performing audit coordination. Including tracking all auditor requests for information and interviews and helping make arrangements for meetings
- Coordinating document management. Perhaps the largest effort during first-time audits is the collection and submission of documentation supporting sample items to the auditors.
- Managing issues and findings. Issues include impediments and other challenges encountered during the audit that need to be worked around in order to allow the audit to continue forward. These issues may be logistical, technical, or operational and need to be resolved quickly to ensure the audit remains on schedule. Examples of issues include coordinating travel for the auditor's site visits, preparing papers describing rationale for accounting treatment of transactions, or describing the nature of transactions to the auditors.

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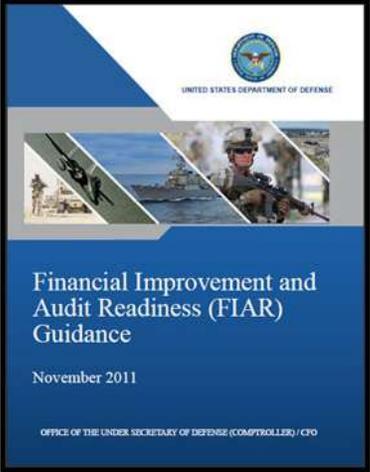
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2.2 FIAR Guidance



FIAR Directorate created a comprehensive document capturing previously issued guidance:

- Referred to as the *FIAR Guidance*
- The FIAR Directorate is responsible for providing audit readiness guidance to the Department
- Provides a step-by-step methodology to achieve financial improvement and audit readiness
- The FIAR Guidance also lists the Department's goals and strategies as well as roles and responsibilities
- Available from FIAR website:
<http://comptroller.defense.gov/FIAR>

Now, click the Forward Arrow to continue.

FIAR Guidance

To assist the Department and its Components with their FIAR efforts, the FIAR Directorate created a comprehensive document, capturing previously issued guidance. The document is referred to as the FIAR Guidance. As noted earlier, the FIAR Directorate is responsible for providing audit readiness guidance to the Department. The FIAR Guidance will be updated periodically and provides a step-by-step methodology to achieve financial improvement and audit readiness. The FIAR Guidance also lists the Department's goals and strategies as well as roles and responsibilities for Reporting Entities and Service Providers. You can access the FIAR Guidance online at the website noted on the screen.

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2.2 FIAR Benefits

The path to financial improvement and audit readiness has various benefits, including better use of resources, accountability to the stakeholders, and compliance with requirements.

Benefits of financial improvement and audit readiness include:

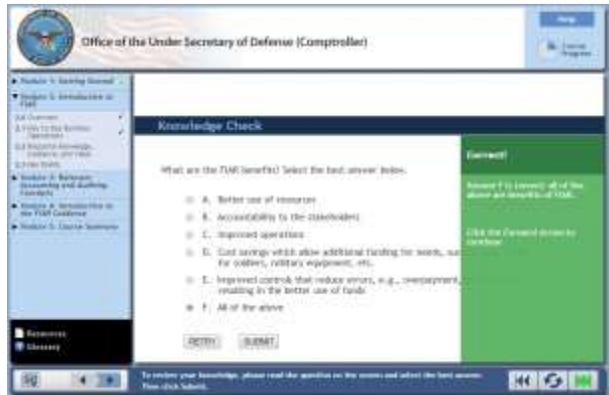
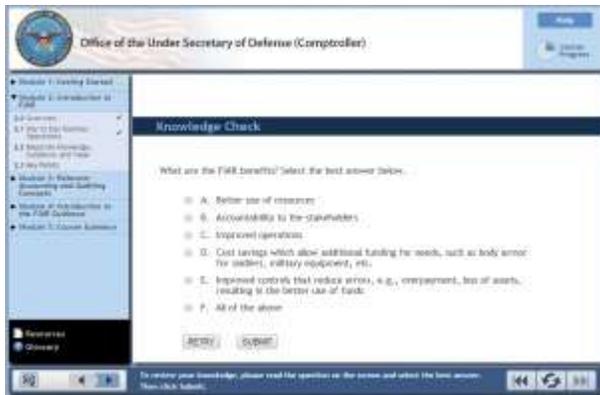
- Improved operations
- Improved controls that reduce errors
- Improved processes
- Audit readiness

Now, click the Forward Arrow to continue.

FIAR Benefits

The path to financial improvement and audit readiness has various benefits, including better use of resources, accountability to the stakeholders, and compliance with requirements. Some of the benefits of financial improvement and audit readiness include: improved operations, resulting in cost savings and allowing for additional funding for needs, such as body armor for soldiers, military equipment, etc. ; Improved controls that reduce errors, such as, overpayment, loss of assets, resulting in the better use of funds; Improved processes, resulting in reliability of data; Audit readiness, demonstrating accountability to stakeholders.

Now, click the Forward arrow to continue.



Module 2 Knowledge Check

To review your knowledge of FIAR, please read the question on the screen and select the best answers. Then click Submit.

Correct Feedback Screen Text: Answer F is correct: all of the above are benefits of FIAR. Now, click the Forward arrow to continue.

Incorrect Feedback Screen Text: While Answers A, B, C, D, and E are FIAR benefits, the correct answer is F – all of the above.

Please click the Forward arrow to continue.

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2.3 Key Points

The key points that you should take away from this module are:

- Day to day operations impact financial reporting and financial statements
- Control weaknesses and other issues impact audit readiness
- Requisite knowledge for success in FIAR
- Reporting entities' infrastructure needed for success with FIAR
- FIAR Guidance provides a step-by-step methodology to achieve FIAR

Now, click the Forward Arrow to continue.

Module 2 Key Points Review

The key points that you should take away from this module are:

- Day to day operations such as determining and obtaining funding; committing and obligating funds; receiving services and disbursing funds have an impact on financial reporting, impacting financial statements such as the Balance Sheet, Statement of Budgetary Resources, Statement of Net Cost, and Statement of Changes in Net Position.
- Control weaknesses, supporting documentation issues, and complex existing systems are preventing the Department from achieving audit readiness.
- Requisite knowledge, such as understanding of the accounting requirements, content of the financial statements, importance of the internal controls, and knowledge of systems, is essential to successfully completing in FIAR activities.
- Reporting Entities need to have the necessary infrastructure in place to achieve and sustain FIAR.
- The FIAR Guidance captures previously issued guidance into one document and provides a step-by-step methodology to achieve FIAR.

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Navigation icons: back, forward, refresh, stop

Module 3 Introduction: Relevant Accounting & Auditing Concepts

In this module we will cover accounting and auditing concepts and terms, relevant to the day to day operations in your financial improvement, and audit readiness efforts.

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3.1 Accounting Standards

What are accounting standards and their linkage to the DoD FMR?

- ▶ American Institute of Certified Public Accountants (AICPA) Council has designated Federal Accounting Standards Advisory Board (FASAB) as the organization that establishes the accounting requirements for Federal entities
- ▶ The accounting requirements are referred to as generally accepted accounting principles (GAAP) for Federal entities
- ▶ FASAB publications can be found at www.fasab.gov

To continue, click the Forward Arrow.

Accounting Standards and Their Linkage to DoD FMR

Let's begin with a discussion of accounting standards. Earlier, we mentioned that there are accounting standards and requirements that dictate the content of the financial statements and how to record day to day transactions.

- American Institute of Certified Public Accountants (AICPA) Council has designated Federal Accounting Standards Advisory Board (FASAB) as the organization that establishes the accounting requirements for Federal entities.
- The accounting requirements are referred to as generally accepted accounting principles (GAAP) for Federal entities. FASAB promulgates Federal accounting standards after considering the financial and budgetary information needs of public citizens, congressional oversight groups, executive agencies, and other users of Federal financial information. A purpose of the accounting standards is to allow for consistency in financial reporting and comparability of financial data among Federal agencies.
- FASAB publications: current accounting pronouncements, exposure drafts and other publications can be found at www.fasab.gov.

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3.6 Financial Statement Audits

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3.1 Accounting Standards



Accounting requirements relate to:

- Recording day to day transactions
- Determining the timing of transactions
- Determining the value of transactions and assets
- Disclosing information regarding recorded transactions, assets and liabilities

DoD FMR incorporates accounting requirements, including the FASAB, as well as other statutory and regulatory financial management requirements, such as the those issued by OMB.



Click the Forward Arrow to continue.



Accounting Requirements Relate To:

Accounting requirements relate to:

- Recording of day to day transactions, such as purchase supplies, entering invoices into the accounting system;
- Determining the timing, such as date of transactions for accounting purposes or recording construction of a building;
- Determining the value of transactions and assets, such as purchase and modification of a tank or existing asset without supporting documentations;
- Disclosing information regarding the recorded transactions, assets and liabilities, such as on-going environmental liabilities

In our previous module, we mentioned that the DoD FMR issues DoD-wide regulations, which is prepared by the OUSD(C). These regulations incorporate Federal accounting requirements, including the FASAB, as well as other statutory and regulatory financial management requirements such as the those issued by OMB. The DoD FMR adds requirements that facilitate DoD's business – for example, the DoD FMR may require Reporting Entities to track the location of the items purchased, quantities on hand, person responsible for stewardship, and/or description of items such as color and size. These additional items are not required by FASAB or other regulatory bodies, but are crucial in the day to day operations of the Reporting Entities. In fact, the Reporting Entities may identify other variables, in addition to the DoD FMR requirements, if they decide that it is necessary and/or required for day to day operations.

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3.1 Accounting Standards: Benefits of GAAP

What is the purpose of GAAP and what benefits do you think it provides?

- ▶ Complying with GAAP allows for audit readiness and may provide improvement in financial operations
- ▶ Ensures that Reporting Entities record and report those transactions in the financial statements consistently
- ▶ Allows Agencies/Reporting Entities to compare, track trends, and understand historical events reported in the financial statements and provides a standard framework

To continue, click the Forward Arrow.

Benefits of GAAP

Earlier you learned that standards issued by the FASAB are often referred to as “GAAP” - let’s examine what that means. Complying with GAAP allows for audit readiness and may provide improvement in financial operations. Its main purpose is to ensure that Reporting Entities record and report those transactions in the financial statements consistently. This allows Agencies/Reporting Entities to compare, track trends, and understand historical events reported in the financial statements and provides a standard framework.

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3.1 Accounting Standards: GAAP

What are generally accepted accounting principles?

- ▶ A term used to refer to the standard framework of guidelines for financial accounting
- ▶ Comprised of standards, conventions, and rules accountants follow in recording and summarizing transactions as well as the preparation of financial statements
- ▶ Requirements that preparers of financial statements must implement to ensure the accuracy of financial statements

Financial statement auditors focus on whether the Reporting Entity conforms to GAAP

To continue, click the Forward Arrow.

GAAP

Now let's examine what the generally accepted accounting principles are:

- “GAAP” is a term used to refer to the standard framework of guidelines for financial accounting.
- Comprised of standards, conventions and rules accountants follow in recording and summarizing transactions as well as in the preparation of financial statements.
- Requirements that the preparer of financial statements must implement to ensure the accuracy of financial statements

Also, when financial statement auditors conduct an audit, their audit procedures focus on whether the Reporting Entity conforms to GAAP.

To continue, click the Forward arrow.

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3.1 Accounting Standards: GAAP Hierarchy

What is the "GAAP hierarchy" for Federal accounting standards?

- ▶ Identified by the FASAB for Federal Reporting Entities
- ▶ Consists of the sources of accounting principles used in the preparation of financial statements of Federal Reporting Entities that are presented in conformity with GAAP and the framework for selecting those principles
- ▶ Lists the priority sequence of sources that a Reporting Entity should rely on for accounting and reporting guidance

Financial statement auditors focus on whether the Reporting Entity conforms to GAAP

Please click the Forward Arrow to continue.

GAAP Hierarchy

Now that we understand the purpose of GAAP, let's discuss "GAAP hierarchy" and what it means.

- Identified by the FASAB for Federal Reporting Entities
- Consists of the sources of accounting principles used in the preparation of financial statements of Federal Reporting Entities that are presented in conformity with GAAP and the framework for selecting those principles
- Lists the priority sequence of sources that a Reporting Entity should rely on for accounting and reporting guidance

The GAAP hierarchy is the following: FASAB issues accounting principles, called Statements of Federal Financial Accounting Standards (SFFAS) and, when necessary, interpretations of those standards. In the GAAP hierarchy, these are the most important and override any other requirements.

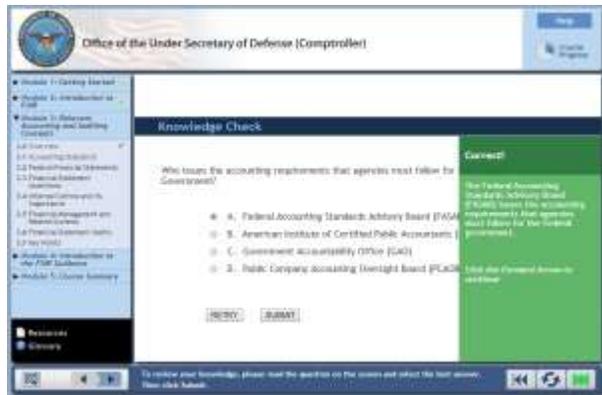
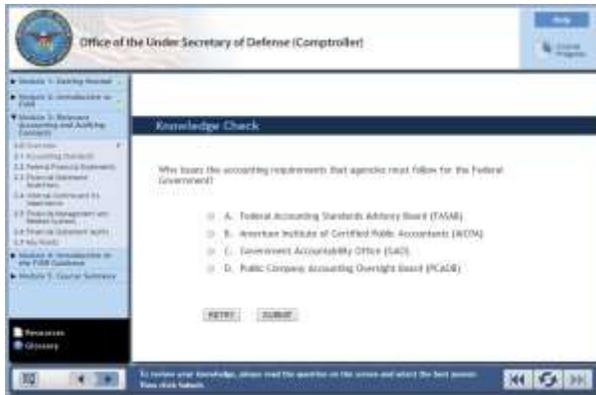
From time to time, FASAB issues Technical Bulletins. These clarify the requirements in the SFFAS and their interpretations. If the Reporting Entity cannot find the accounting requirements for its transactions in the SFFAS and their interpretations, it can rely on the FASAB Technical Bulletins. Also, the Reporting Entity may refer to AICPA Industry Audit and Accounting Guides, only if specifically made applicable to Federal Reporting Entities by the AICPA and cleared by the FASAB.

Reporting Entities may refer to Technical Releases of the Accounting and Auditing Policy Committee of the FASAB, if the SFFAS and its interpretations or the FASAB Technical Bulletins do not provide the necessary guidance.

If the Reporting Entity still cannot find the necessary guidance in the FASAB issued documents and/or the applicable AICPA Industry Audit and Accounting Guidance, it should, as a last resort, refer to the Implementation Guides published by the FASAB staff as well as practices that are widely recognized and prevalent in the Federal government.

Please note that the Reporting Entity must follow the DoD FMR and Reporting Entity specific requirements except in the cases where the DoD FMR contradicts the accounting requirements issued by the FASAB or other regulatory bodies.

Please click the Forward arrow to continue.



Module 3 Knowledge Check

For this Knowledge check, select the best answer and then click Submit.

Correct Feedback Screen Text: Answer A is correct: the Federal Accounting Standards Advisory Board (FASAB) issues the accounting requirements that agencies must follow for the Federal government. Click the Forward arrow to continue.

Incorrect Feedback Screen Text: Answer B is incorrect: the American Institute of Certified Public Accountants (AICPA) sets ethical standards for the profession and U.S. auditing standards - they designate FASAB as the GAAP standard setting body for the Federal government. Answer C is incorrect as the Government Accountability Office (GAO) audits and evaluates Government programs and activities. Answer D is incorrect as the Public Company Accounting Oversight Board (PCAOB) established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports.

Click the Forward arrow to continue.

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3.2 Federal Financial Statements

How are federal financial statements prepared and who is required to prepare them?

- FASAB issues requirements on individual transactions
- OMB issues guidance on preparing the financial statements
- OMB Circular A-136 Financial Reporting Requirements specifies the form and content requirements of Federal financial statements
- Requirements are updated annually, or as required, to reflect changes in accounting requirements issued by FASAB
- OUSD(C) considers these requirements and issues detailed DoD-wide guidance

Office of Management and Budget (OMB) Circular A-136 Financial Reporting Requirements, Section I.3, notes that each Executive Branch department, agency, and other entity that is required to prepare audited financial statements under the Chief Financial Officers Act of 1990 (CFO Act), Government Management Reform Act (GMRA), or the Accountability of Tax Dollars Act (ATDA) must prepare its financial statements in accordance with the Circular

Click the Forward Arrow to continue.

Requirements of Federal Financial Statements

So far, we have introduced GAAP and how it is used for recording accounting transactions resulting from your Reporting Entities' day to day operations. Now let's discuss financial statements preparation and requirements. As we discussed, FASAB issues requirements on individual transactions, such as purchase of supplies. OMB issues guidance on preparing the financial statements. OMB Circular A-136 Financial Reporting Requirements (A-136) specifies the form and content requirements of Federal financial statements and the Agencies that are required to prepare financial statements. These requirements are updated annually, or as required, to reflect changes in accounting requirements issued by FASAB and other regulatory bodies. OUSD(C) considers these requirements and issues detailed DoD-wide guidance to the Reporting Entities regarding the preparation of financial statements.

Office of Management and Budget (OMB) Circular A-136 Financial Reporting Requirements, Section I.3, notes that each Executive Branch department, agency, and other entity that is required to prepare audited financial statements under the Chief Financial Officers Act of 1990 (CFO Act), Government Management Reform Act (GMRA), or the Accountability of Tax Dollars Act (ATDA) must prepare its financial statements in accordance with the Circular.

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3.2 Federal Financial Statements

How are federal financial statements prepared and who is required to prepare them?

- ▶ OMB Bulletin No. 07-04, Appendix A through D, lists the federal agencies that are required to prepare financial statements
- ▶ The following DoD entities are required to prepare financial statements:
 - ▶ Department of Defense
 - ▶ Army, Navy, and Air Force General and Working Capital Funds
 - ▶ US Army Corps of Engineers
 - ▶ Military Retirement Fund

Click the Forward Arrow to learn more.

Requirements of Federal Financial Statements, Continued

Let's continue with how Federal financial systems are prepared.

OMB Bulletin No. 07-04, Appendix A through D, lists the federal agencies that are required to prepare financial statements

Please note that the following DoD entities are required to prepare financial statements: Department of Defense, Army, Navy, and Air Force General and Working Capital Funds, as well as US Army Corps of Engineers and Military Retirement Fund. A complete listing of entities required to prepare financial statements is available in the Resources as Exhibit 1.

Click the Forward arrow to learn more.

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3.2 Federal Financial Statements

How are federal financial statements prepared and who is required to prepare them?

OMB Circular A-136 details the form and content of federal financial statements, including:

- Required financial statements
- Required presentation and disclosures in the notes to the financial statements

Appendix A through D of the OMB Bulletin 07-04 Audit Requirements for Federal Financial Statements lists the Federal agencies required to undergo an annual financial statement audit (CFO Act).

Click the Forward Arrow to continue.

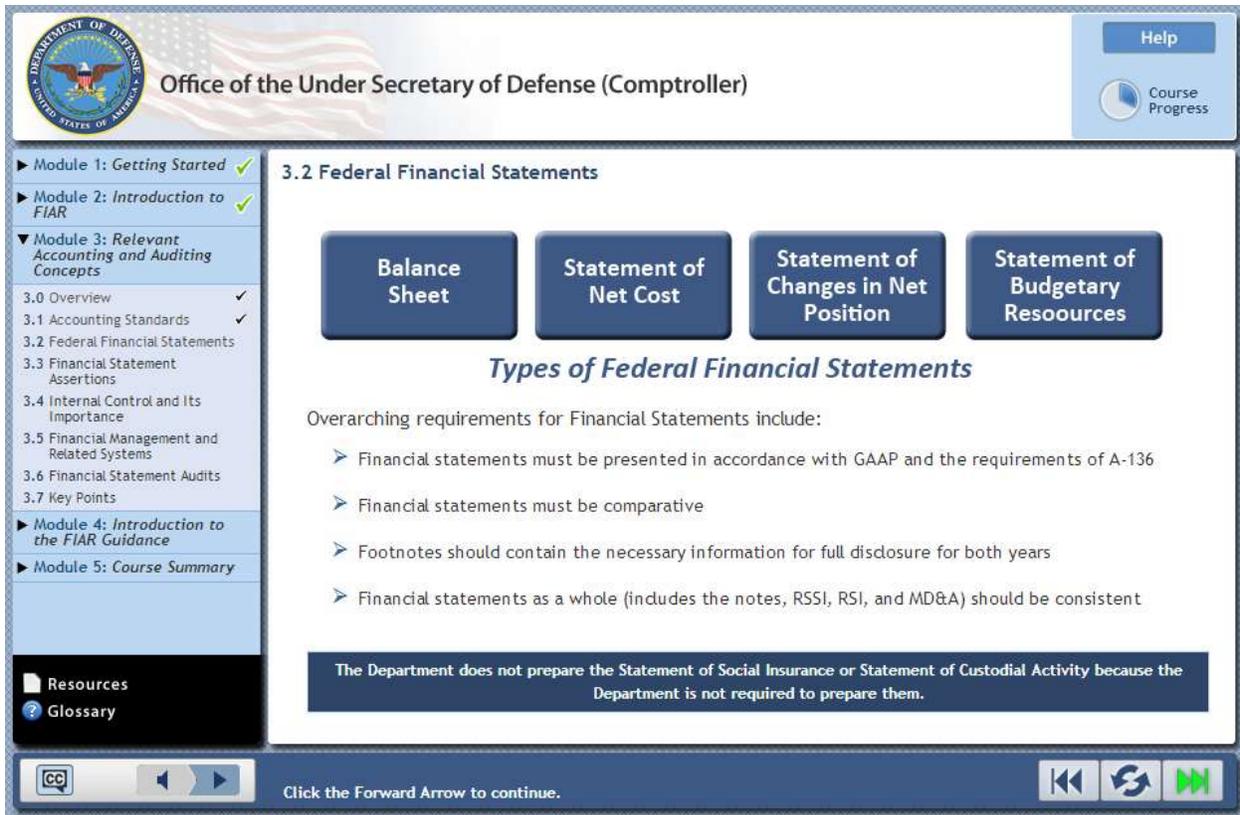
Requirements of Federal Financial Statements, Continued

Let's continue with how Federal financial systems are prepared. OMB Circular A-136 details the form and content of federal financial statements, including:

- Required financial statements
- Required presentation and disclosures in the notes to the financial statements

Please note that Appendix A through D of the OMB Bulletin 07-04 Audit Requirements for Federal Financial Statements lists the Federal agencies required to undergo an annual financial statement audit (CFO Act). Agencies required to comply with the CFO Act are required to prepare financial statements. DoD and each of the Major Services are required to comply with the CFO Act, along with the Military Retirement Fund (MRF) and USACE – Civil Works.

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3.2 Federal Financial Statements

Balance Sheet Statement of Net Cost Statement of Changes in Net Position Statement of Budgetary Resources

Types of Federal Financial Statements

Overarching requirements for Financial Statements include:

- Financial statements must be presented in accordance with GAAP and the requirements of A-136
- Financial statements must be comparative
- Footnotes should contain the necessary information for full disclosure for both years
- Financial statements as a whole (includes the notes, RSSI, RSI, and MD&A) should be consistent

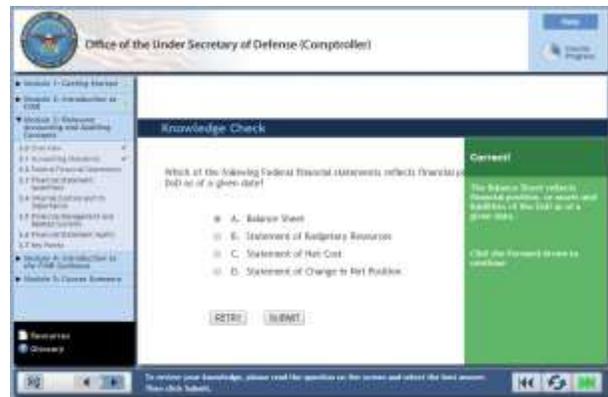
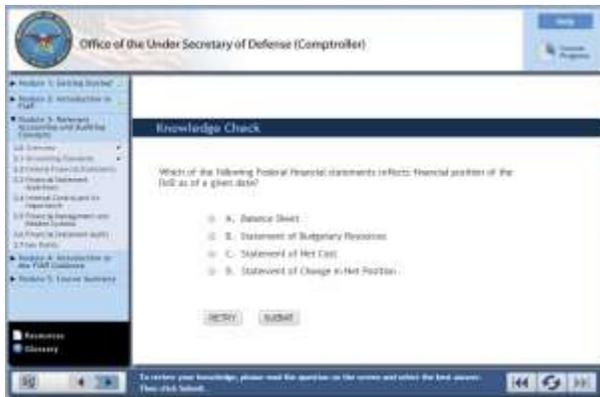
The Department does not prepare the Statement of Social Insurance or Statement of Custodial Activity because the Department is not required to prepare them.

Click the Forward Arrow to continue.

Federal Financial Statements

Before we review the content of the financial statements, please note the following overarching requirements. Financial statements must be presented in accordance with GAAP and the requirements of A-136. Financial statements must be comparative (should show current year balance/activity and previous year). Footnotes should contain the necessary information for full disclosure for both years. Financial statements as a whole (includes the notes, Required Supplementary Stewardship Information (RSSI), Required Supplementary Information (RSI), and Management Discussion and Analysis (MD&A)) should be consistent. Please note that the Department does not prepare the Statement of Social Insurance or Statement of Custodial Activity because the Department is not required to prepare them. Per OMB Circular A-136, other Federal agencies are required to prepare these financial statements due to the nature of their day to day operations.

Click the Forward arrow to continue.



Module 3 Knowledge Check

For this Knowledge Check, please select the best answer, and then click Submit.

Correct Feedback Screen Text: Answer A is correct: the Balance Sheet reflects financial position, or assets and liabilities of the DoD as of a given date. Please click the Forward arrow to continue.

Incorrect Feedback Screen Text: Answer B is incorrect because the Statement of Budgetary Resources reflects all budget authority received, obligations incurred, and balance unobligated. Answer C is incorrect because Statement of Net Cost shows the cost of DoD's programs and operations incurred over a given year and the revenue earned. Answer D is incorrect because the Statement of Change in Net Position shows our sources of funding and how we spent that money over a period of time.

Please click the Forward arrow to continue.

The screenshot shows a training module interface. At the top left is the Department of Defense seal and the text "Office of the Under Secretary of Defense (Comptroller)". At the top right are "Help" and "Course Progress" buttons. The left sidebar contains a navigation menu with the following items: "Module 1: Getting Started" (checked), "Module 2: Introduction to FIAR" (checked), "Module 3: Relevant Accounting and Auditing Concepts" (expanded), "3.0 Overview" (checked), "3.1 Accounting Standards" (checked), "3.2 Federal Financial Statements" (checked), "3.3 Financial Statement Assertions" (selected), "3.4 Internal Control and Its Importance", "3.5 Financial Management and Related Systems", "3.6 Financial Statement Audits", "3.7 Key Points", "Module 4: Introduction to the FIAR Guidance", and "Module 5: Course Summary". Below the sidebar are "Resources" and "Glossary" links. The main content area is titled "3.3 Financial Statement Assertions" and contains the question "What are financial statement assertions and their purpose?" with a bullet point: "Representations made by the Reporting Entity's management that are embodied in financial statement components". At the bottom, there is a control bar with a Creative Commons license icon, navigation arrows, and the text "Please click the Forward Arrow to continue." along with back, refresh, and forward icons.

Financial Statement Assertions

Now that we have reviewed the financial statements and discussed accounting requirements, let's discuss management's assertions to the financial statements.

Please click the Forward arrow to continue.

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3.3 Financial Statement Assertions

Reporting Entity is responsible for the accuracy of the financial statements and must assert to the following:

- Valuation or Allocation +
- Completeness +
- Existence / Occurrence +
- Presentation and Disclosure +
- Rights and Obligations +

When you have reviewed each bullet item, click the Forward arrow.

Financial Statement Assertions: Exhibit 1 With Examples

In Module 2, we had mentioned that management is responsible for the accuracy of the financial statements and management makes certain assertions about the financial statements. As we have mentioned, management of a Reporting Entity is responsible for the accuracy of the financial statement. Specifically, in addition to ensuring conformity with GAAP, management is responsible for ensuring the following financial statement assertions:

- Value of the recorded transaction
- Completeness of records
- Existence of recorded items
- Presentation and disclosure in accordance with the requirements
- Rights to recorded assets and liabilities

Click the X button to the right of each bullet item to learn more about each step in the process. Also, this information is also available in the Financial Statement Assertions and Financial Assertions with Examples documents in the Resources area on the Navigation bar.

When you have reviewed each bullet item, click the Forward arrow.


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3.3 Financial Statement Assertions

Valuation or Allocation:



Valuation or Allocation means that amounts and other data relating to recorded transactions and events have been recorded appropriately. Assets, liabilities, and net position are included in the financial statements at appropriate amounts, and any resulting valuation or allocation adjustments are properly recorded. Financial and other information is disclosed fairly and at appropriate amounts. Examples of these are invoices and/or contracts supporting the value of the recorded transactions and estimated value of assets, such as appraisals.

◀ ▶

When you have reviewed each bullet item, click the Forward arrow.



Financial Statement Assertions: Exhibit 1 With Examples, Valuation or Allocation

Valuation or Allocation means that amounts and other data relating to recorded transactions and events have been recorded appropriately. Assets, liabilities, and net position are included in the financial statements at appropriate amounts, and any resulting valuation or allocation adjustments are properly recorded. Financial and other information is disclosed fairly and at appropriate amounts. Examples of these are invoices and/or contracts supporting the value of the recorded transactions and estimated value of assets, such as appraisals.

Please click the “X” button on the upper right side to return to the prior screen.

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3.3 Financial Statement Assertions

Existence/Occurrence:



Existence/Occurrence means that recorded transactions and events occurred during the given period, are properly classified, and pertain to the entity. An entity's assets, liabilities, and net position exist at a given date. Examples include periodic physical inventory to ensure items recorded in the general ledger actually exist and invoices or contracts to support the disbursements and/or obligations.

When you have reviewed each bullet item, click the Forward arrow.

Financial Statement Assertions: Exhibit 1 With Examples, Existence/Occurrence

Existence/Occurrence means that recorded transactions and events occurred during the given period, are properly classified, and pertain to the entity. An entity's assets, liabilities, and net position exist at a given date. Examples include period physical inventory to ensure items recorded in the general ledger actually exist and invoices or contracts to support the disbursements and/or obligations.

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3.3 Financial Statement Assertions

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Completeness:



Completeness means that all transactions and events that should have been recorded are recorded in the proper period. All assets, liabilities, and net position that should have been recorded have been recorded in the proper period and properly included in the financial statements. Examples of these are periodic physical inventory to ensure items in warehouse are recorded in the general ledger and period-end data to ensure accounts payable are accurate.

When you have reviewed each bullet item, click the Forward arrow.

Financial Statement Assertions: Exhibit 1 With Examples, Completeness

Completeness means that all transactions and events that should have been recorded are recorded in the proper period. All assets, liabilities, and net position that should have been recorded have been recorded in the proper period and properly included in the financial statements. Examples of these are periodic physical inventory to ensure items in warehouse are recorded in the general ledger and period-end data to ensure accounts payable are accurate.

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3.3 Financial Statement Assertions

Presentation and Disclosure:



Presentation and Disclosure means the financial and other information in the financial statements is appropriately presented and described and disclosures are clearly expressed. All disclosures that should have been included in the financial statements have been included. Also, the disclosed events and transactions have occurred and pertain to the entity. Examples include disclosure of type of property, plant, and equipment, such as land, equipment, building in the footnotes to the financial statements and presentation of the financial statement and the related footnotes.

When you have reviewed each bullet item, click the Forward arrow.

Financial Statement Assertions: Exhibit 1 With Examples, Presentation and Disclosure

Presentation and Disclosure means the entity holds or controls the rights to assets, and liabilities are the obligations of the entity at a given date. Examples include title to the land owned by an entity, deed to a property owned by an entity, invoice or contract for equipment owned by an entity, and invoice or contract for liabilities, for example accounts payable, of an entity.

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Rights and Obligations:



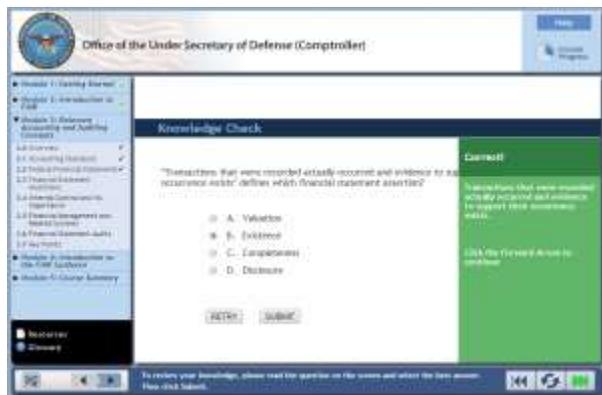
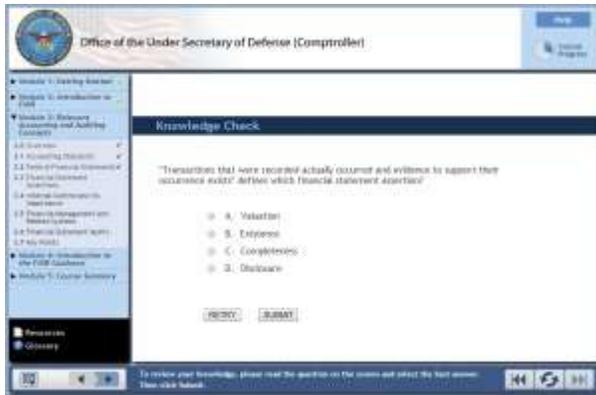
Rights and obligations means the entity holds or controls the rights to assets and liabilities are the obligations of the entity at a given date. Examples include title or deed to the land or property owned by an entity, an invoice or contract for equipment owned by an entity, or for liabilities - that is accounts payable of an entity.

When you have reviewed each bullet item, click the Forward arrow.

Financial Statement Assertions: Exhibit 1 With Examples, Rights and Obligations

The financial and other information in the financial statements is appropriately presented and described and disclosures are clearly expressed. All disclosures that should have been included in the financial statements have been included. Disclosed events and transactions have occurred and pertain to the entity. Examples include disclosure of type of Property, Plant, and Equipment, such as land, equipment, building, in the footnotes to the financial statements and presentation of the financial statement and the related footnotes.

Please click the “X” button on the upper right side to return to the prior screen.



Module 3 Knowledge Check

For this Knowledge Check, please select the best answer and then click Submit.

Correct Feedback Screen Text: Answer B is correct because transactions that were recorded actually occurred and evidence to support their occurrence exists. Please click the Forward arrow to continue.

Incorrect Feedback Screen Text: Answer A is incorrect because transactions that make up the financial statement line items were recorded at correct amounts. Answer C is incorrect because all transactions and activities were recorded. Answer D is incorrect because Financial statements are presented in accordance with accounting requirements and follow the form and content prescribed by OMB A-136.

Please click the Forward arrow to continue.


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3.4 Internal Control
 The system of internal control is comprised of five interrelated components:

Control Environment



Risk Assessment



Information and Communication



Monitoring



Control Activities












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Internal Control

It is imperative that Reporting Entities understand these concepts for successful financial improvement and audit readiness. There are two more important concepts that need to be understood. The system of internal control is a critical component in achieving reliable financial reporting and audit readiness. Furthermore, the system of internal control is the foundation for financial improvement and audit readiness. The system of internal control is comprised of five interrelated components that can and should be applied to any level of a Reporting Entity. Click each thumbnail image for more information these internal control items.

When you have reviewed each item, click the Forward arrow to continue.

The screenshot shows a training interface for the Office of the Under Secretary of Defense (Comptroller). The main content area displays a slide titled "Control Environment:" with a definition and an image of an open book. The definition states: "Control Environment is the tone of an organization, which influences the control consciousness of its people, such as the Commanding General stressing importance of ethics and adherence to policies. It is the foundation for all other components of the system of internal control, providing discipline and structure." The interface includes a sidebar with a table of contents, a top navigation bar with "Help" and "Course Progress" buttons, and a bottom control bar with navigation arrows and a "CC" icon.

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Internal Control, Control Environment

Control Environment is the tone of an organization, which influences the control consciousness of its people, such as the Commanding General stressing importance of ethics and adherence to policies. It is the foundation for all other components of the system of internal control, providing discipline and structure.

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When you have reviewed each item, click the Forward arrow to continue.

Risk Assessment:



Risk assessment is a process for identifying and analyzing relevant risks to achieve the objectives that forms the basis for determining how the risks should be managed.

Internal Control, Risk Assessment

Risk assessment is a process for identifying and analyzing relevant risks to achieve the objectives, which forms the basis for determining how the risks should be managed.

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3.4 Internal Control

Information and Communication:



Information and communication systems support the identification, capture, and exchange of information in a form and time frame that enable people to perform their responsibilities.

◀ ▶

◀ ▶

When you have reviewed each item, click the Forward arrow to continue.

Internal Control, Information & Communication

Information and communication systems support the identification, capture, and exchange of information in a form and time frame that enable people to perform their responsibilities.

Click the “X” in the top right corner to close this window and return to the prior screen.

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3.4 Internal Control

Monitoring:



Monitoring is a process that assesses the quality of internal control performance over time. This is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two.

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When you have reviewed each item, click the Forward arrow to continue.

Internal Control, Monitoring

Monitoring is a process that assesses the quality of internal control performance over time. This is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two.

Click the “X” in the top right corner to close this window and return to the prior screen.

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3.4 Internal Control

Control Activities:



Control activities are the policies and procedures that help ensure that management directives are followed and accomplished, for example, approve disbursements or confirm inventory balances.

◀ ▶

When you have reviewed each item, click the Forward arrow to continue.

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Internal Control, Control Activities

Control activities are the policies and procedures that help ensure that management directives are followed and accomplished, for example, approve disbursements or confirm inventory balances.

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3.4 Internal Control: Importance of Control Activities

What is the importance of control activities?

Control activities are the policies and procedures that help ensure that management directives are successfully accomplished. Controls activities set the stage for sufficient review and approval to ensuring:

- ▶ Transactions are reviewed and approved, preventing errors in financial and non-financial reports
- ▶ Roles are assigned and limited to the appropriate personnel
- ▶ Assets are safeguarded against losses and damages
- ▶ Access to systems is restricted to authorized users
- ▶ Activities are monitored to identify and detect irregularities and anomalies

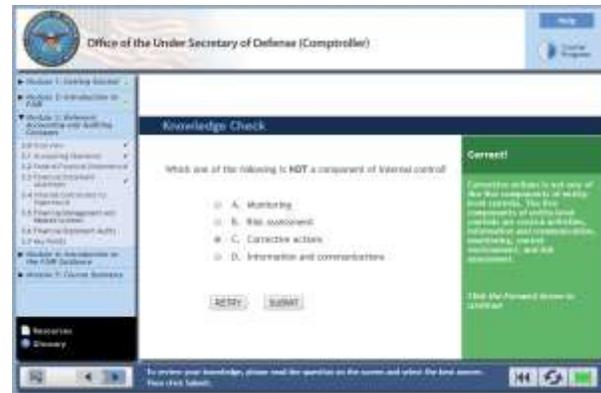
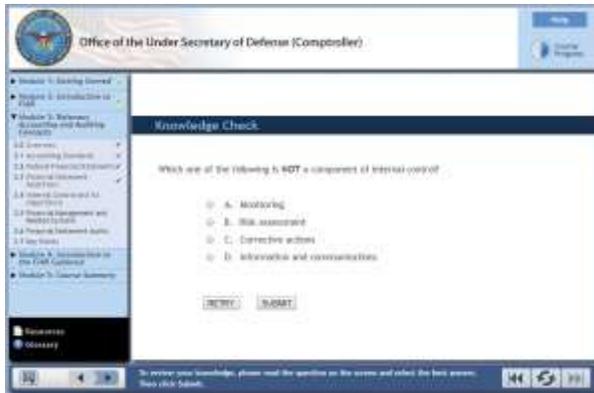
Click the Forward Arrow to continue.

Importance of Control Activities

As we discussed, control activities are the policies and procedures that help ensure that management directives are successfully accomplished. Control activities that allow management to conform to GAAP, produce accurate financial statements, and make assertions about the financial statements. Controls activities set the stage for sufficient review and approval to ensuring:

- Transactions are reviewed and approved, preventing errors in financial and non-financial reports, such as reports that detail information about operations.
- Roles are segregated and limited to the appropriate personnel.
- Assets are safeguarded against losses and damages.
- Access to systems is restricted to authorized users.
- Activities are monitored to identify and detect irregularities and anomalies.

Click the Forward arrow to continue.



Module 3 Knowledge Check

For this Knowledge Check, please best answer and then click Submit.

Correct Feedback Screen Text: Answer C is correct because corrective actions is not one of the five components of entity-level controls. The five components of entity-level controls are control activities, information and communication, monitoring, control environment, and monitoring. Click the Forward arrow to continue.

Incorrect Feedback Screen Text: Answer A is incorrect because Monitoring is one of the five components of entity-level controls. Answer B is incorrect because Risk assessment is one of the five components of entity-level controls. Answer D is incorrect because Information and communications is one of the five components of entity-level controls.

Click the Forward arrow to continue.


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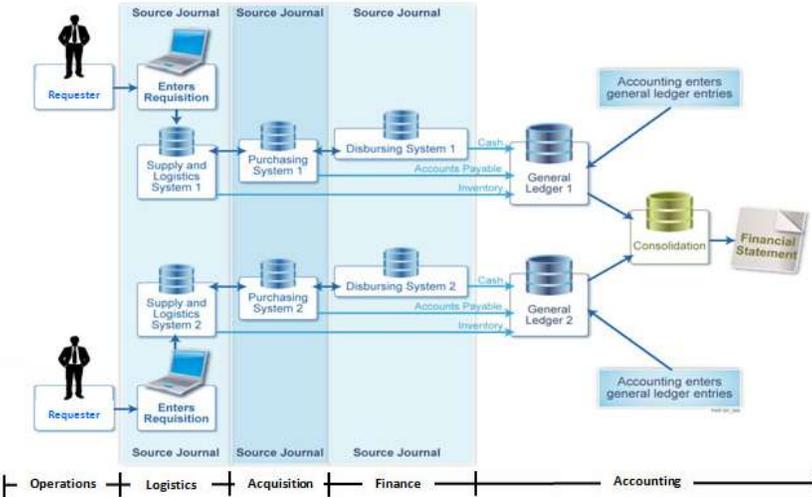
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3.5 Financial Management and Related Systems: Procure-to-Pay Process



The diagram illustrates the Procure-to-Pay process across five functional areas: Operations, Logistics, Acquisition, Finance, and Accounting. It shows two parallel paths for two different requests. Each path starts with a Requester in Operations who enters a requisition into a Source Journal. This requisition is processed by a Supply and Logistics System (Logistics) and then a Purchasing System (Acquisition). The Purchasing System sends data to a Disbursing System (Finance), which then interacts with General Ledger systems (Accounting). The Disbursing System also updates Accounts Payable and Inventory. The General Ledger systems then provide data for Consolidation, which leads to the final Financial Statement. The process is supported by Source Journals and Source Journals at the bottom of the diagram.

Requester → Enters Requisition → Source Journal → Supply and Logistics System 1 → Purchasing System 1 → Disbursing System 1 → General Ledger 1 → Accounting enters general ledger entries → Consolidation → Financial Statement

Requester → Enters Requisition → Source Journal → Supply and Logistics System 2 → Purchasing System 2 → Disbursing System 2 → General Ledger 2 → Accounting enters general ledger entries → Consolidation → Financial Statement

Source Journal Source Journal Source Journal

Source Journal Source Journal Source Journal

Operations + Logistics + Acquisition + Finance + Accounting

Click the Forward Arrow to continue.

Procure-to-Pay Process

This graphic is an depiction of the end-to-end process for Procure-to-Pay. It is not meant to depict every step for this complex process. Instead, we want to focus on the various systems that are involved in this process. As you will notice, there are more than eight systems. Let's take a minute to review this process and discuss the systems that are involved in the process and then we will discuss the impact of these systems on audit readiness.

Click the Forward arrow to continue.

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3.5 Financial Management and Related Systems

What is the difference between a financial, mixed, and non-financial system?

Financial Systems + Mixed Systems + Non-Financial Systems +

- ▶ Each type of system is important to the Reporting Entity's operations
- ▶ For the purpose of audit readiness, systems that impact financial statements and those that the auditors use to verify information such as location of assets and quantities of inventory are generally considered "in-scope"
- ▶ Reporting Entities need to ensure that sufficient controls are in place and operating effectively for "in-scope" systems

CC When you have reviewed each bullet item, click the Forward arrow. ⏪ ⏩

Financial, Mixed, and Non-Financial Systems

What is the difference between a financial, mixed, and non-financial system? Reporting Entities typically have numerous systems. These systems can be classified into the following three categories: Financial Systems, Mixed Systems, and Non-Financial Systems. Each type of system, regardless of financial statement impact is important to the Reporting Entity's operations. However, certain systems may not be relevant or "in-scope" for audit readiness. For the purpose of audit readiness, systems that impact financial statements and those that the auditors use to verify information such location of assets and quantities of inventory are generally considered "in-scope". Reporting Entities need to ensure that sufficient controls are in place and operating effectively for "in-scope" systems. FIAR 301 discusses IT controls and audit readiness in detail. To learn more about these three systems, click the plus button to the right of each bullet item to learn more about each step in the process.

When you are ready to move to the next topic, click the Forward arrow.

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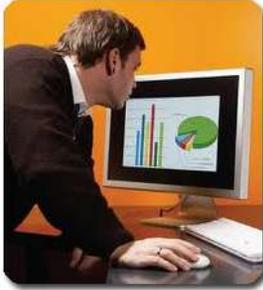
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3.5 Financial Management and Related Systems

Financial Systems:



A financial system can support financial functions including general ledger management, funds management, payment management, receivable management, and cost management. STANFINS, SOMARDS, STARS, and GFEBS are considered financial systems.

When you have reviewed each bullet item, click the Forward arrow.

Financial, Mixed, and Non-Financial Systems, Financial Systems

A financial system can support financial functions including general ledger management, funds management, payment management, receivable management, and cost management. STANFINS, SOMARDS, STARS, and GEFBS are considered financial systems.

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3.5 Financial Management and Related Systems

Mixed Systems:



A mixed system can support both financial and non-financial functions. DCPS and DJMS, which support the civilian and military payroll processes, are considered mixed systems.

When you have reviewed each bullet item, click the Forward arrow.

Financial, Mixed, and Non-Financial Systems, Mixed Systems

A mixed system can support both financial and non-financial functions. DCPS and DJMS, which support the civilian and military payroll processes, are considered mixed systems.

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3.5 Financial Management and Related Systems

Non-Financial Systems:



A non-financial system can support non-financial functions and does not record financial events nor report financial information. DCPDS, which tracks payroll information, but not does record financial events, is an example of a non-financial system.

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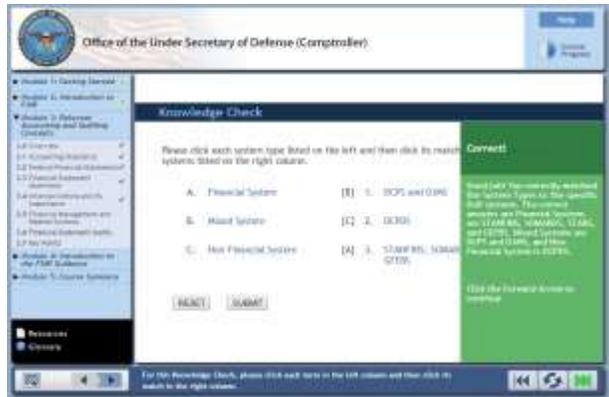
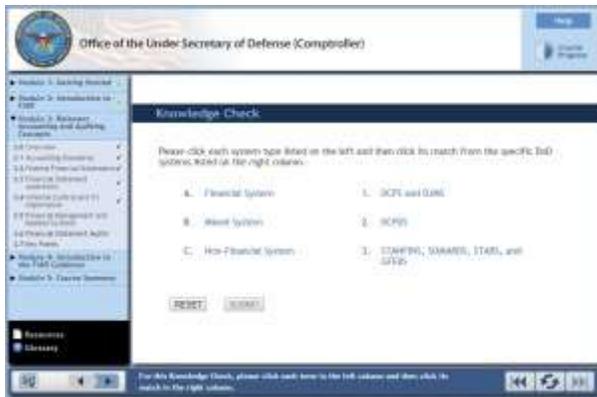
When you have reviewed each bullet item, click the Forward arrow.

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Financial, Mixed, and Non-Financial Systems, Non-Financial Systems

A non-financial system can support non-financial functions and does not record financial events nor report financial information. DCPDS, which tracks payroll information, but not does record financial events, is an example of a non-financial system.

Click the “X” button in the upper right side to return to the previous screen.



Module 3 Knowledge Check

For this Knowledge Check, please click each term in the left column and then click its match in the right column.

Screen Text: Please match the system types listed on the left with the specific DoD systems listed on the right column.

System Types	DoD Systems
Financial System	1. DCPS and DJMS
Mixed System	2. DCPDS
Non-Financial System	3. STANFINS, SOMARDS, STARS, and GFEB

Correct Answers:

A = 3

B = 1

C = 2

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3.6 Financial Statement Audits

What is the purpose of a financial statement audit?

The purpose of a financial statement audit is for independent auditors to perform audit procedures and to determine whether financial statements present fairly in material respects, including conformity with GAAP and assertions to the financial statements.

- ▶ Fairly present the financial position of the Reporting Entity
- ▶ Conform with Federal accounting requirements

An unqualified opinion on the financial statements is a positive assurance that the financial statements are free of material misstatements.

Now, click the Forward Arrow to continue.

Financial Statement Audits

The purpose of a financial statement audit is for independent auditors to perform audit procedures and to determine whether the financial statements present fairly in material respects, including conformity with GAAP and assertions to the financial statements. In other words, the financial statements prepared by the management: do they fairly present the financial position of the Reporting Entity and conform with Federal accounting requirements? An unqualified opinion on the financial statements is a positive assurance that the financial statements are free of material misstatements.

Now, click the Forward arrow to continue.


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3.6 Financial Statement Audits: Scope
What is the scope of a financial statement audit?
 Auditors perform the following procedures to determine whether the financial statements are presented fairly:

- ▶ Internal control and performing tests of control activities
- ▶ Substantive testing, including reviewing supporting documentation and analytical procedures
- ▶ Performing tests to determine compliance with laws and regulations
- ▶ Determining procedures to assess conformity with GAAP and financial reporting requirements listed in OMB Circular A-136

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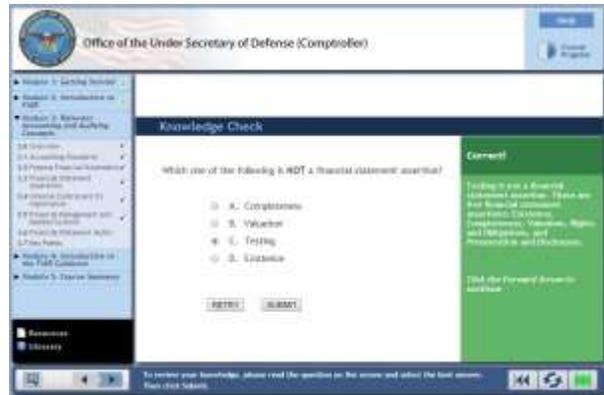
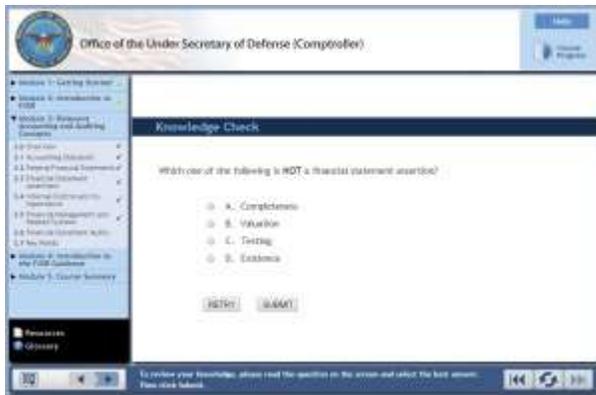
Click the Forward Arrow to continue.

Scope of a Financial Statement Audit

Auditors perform the following procedures to determine whether the financial statements are presented fairly:

- Understanding the system of internal control, for example, risk assessment, control activities, and performing tests of control activities
- Performing substantive testing, including reviewing supporting documentation, for example, contracts or invoices, and analytically reviewing the balances
- Performing tests to determine compliance with laws and regulations, for example, Prompt Payment Act or Anti-Deficiency Act
- Determining procedures to assess conformity with GAAP and financial reporting requirements listed in A-136

Click the Forward arrow to continue.



Module 3 Knowledge Check

For this Knowledge Check, please select the best answer and then click Submit.

Correct Feedback Screen Text: Answer C is correct because testing is not a financial statement assertion. There are five financial statement assertions: Existence, Completeness, Valuation, Rights and Obligations, and Presentation and Disclosures. Click the Forward arrow to continue.

Incorrect Feedback Screen Text: Answer A is incorrect because Completeness is one of the five financial statement assertions. Answer B is incorrect because Valuation is one of the five financial statement assertions. Answer D is incorrect Existence is one of the five financial statement assertions.

Click the Forward arrow to continue.

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Module 3: Relevant Accounting and Auditing Concepts

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3.1 Accounting Standards	✓
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3.3 Financial Statement Assertions	✓
3.4 Internal Control and Its Importance	✓
3.5 Financial Management and Related Systems	✓
3.6 Financial Statement Audits	✓
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3.7 Key Points

The key points that you should take away from this module are:

- Accounting requirements relate to recording of transactions, determining value of transactions, determining timing of recording transactions, and disclosing information regarding recorded transactions
- Reporting Entities must follow the DoD FMR unless it contradicts the accounting requirements
- The "GAAP Hierarchy" should be followed when determining the accounting requirements to follow
- OMB Circular A-136 defines the form and content requirements for Federal financial statements
- Management is responsible for accuracy of financial statements and assertions
- Internal control is a critical component in audit readiness and financial reporting

Now, click the Forward Arrow to continue.

Module 3 Key Points

The key points that you should take away from this module are:

- Accounting requirements relate to the recording of transactions, determining value of the transactions, determining the timing of recording transactions, and disclosing information regarding recorded transactions
- Reporting Entities must follow the DoD FMR unless it contradicts the accounting requirements.
- The “GAAP Hierarchy” should be followed when determining the accounting requirements to follow
- OMB Circular A-136 defines the form and content requirements for Federal financial statements
- Management is responsible for the accuracy of the financial statements and must assert to the financial statement assertions
- Internal control is a critical component in achieving audit readiness and reliable financial reporting

Now, click the Forward arrow to continue.

The screenshot displays a course interface for the Office of the Under Secretary of Defense (Comptroller). The top header includes the Department of Defense logo and the text 'Office of the Under Secretary of Defense (Comptroller)'. A 'Help' button and a 'Course Progress' indicator are located in the top right corner. The left sidebar contains a table of contents for Module 4, which is currently selected. The main content area displays the title 'MODULE 4: Introduction to the FIAR Guidance' and a flow diagram with three steps: 'Introduction to FIAR', 'Relevant Accounting and Auditing Concepts', and 'Introduction to the FIAR Guidance'. The bottom navigation bar includes a 'Click the Forward Arrow to continue.' instruction and navigation icons.

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MODULE 4:
Introduction to the FIAR Guidance

Introduction to FIAR Relevant Accounting and Auditing Concepts Introduction to the FIAR Guidance

Click the Forward Arrow to continue.

Module 4 Introduction: Introduction to the FIAR Guidance

In this module, we will discuss the FIAR guidance, the FIAR strategy and goals, priorities and objectives, linkage to the DoD Strategic Management Plan, system transformation initiatives, stakeholder roles & responsibilities, and linkage to ICOFR requirements.

Click the Forward arrow to continue.


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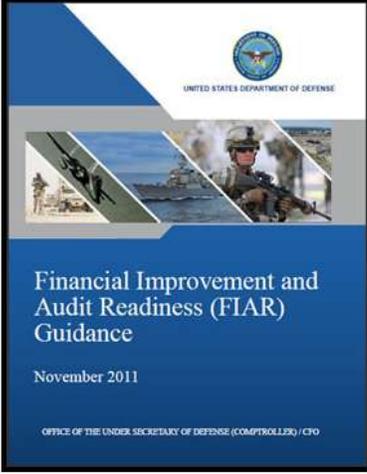
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4.1 FIAR Guidance



The purpose of the FIAR guidance is to:

- Provide instructions for implementing a mandated, consistent, Department-wide plan toward achieving the Department's FIAR objectives
- Define goals, strategy, and methodology for becoming audit ready
- Specify the roles and responsibilities of Reporting Entities and service providers.




Click the Forward Arrow to continue.



Purpose of the FIAR Guidance

The purpose of the FIAR guidance is to:

- Provide instructions for implementing a mandated, consistent, Department-wide plan toward achieving the Department's FIAR objectives
- Define goals, strategy, and methodology for becoming audit ready
- Specify the roles and responsibilities of Reporting Entities and service providers.

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4.1 FIAR Guidance: Approach to Audit Readiness

What is the approach to audit readiness execution, using the FIAR guidance?

The Department has grouped all Reporting Entities into one of three categories:

Category 1 + **Category 2** + **Category 3** +

- ▶ **Category 1** - Reporting Entities required to undergo audits on their stand-alone financial statements
- ▶ **Category 2** - Reporting Entities not required to undergo stand-alone financial statement audits
- ▶ **Category 3** - Reporting Entities that are not Category 1 or 2

CC When you have reviewed each bullet item, click the Forward Arrow. ⏪ ⏩

FIAR Approach to Audit Readiness

The Department is comprised of a large number of small other defense organizations and a few, very large military services. It is not effective to apply the same audit execution approach to all Reporting Entities. Accordingly, to increase efficiency of the audit readiness and annual financial statement audits, the Department has grouped all Reporting Entities into one of three categories: reporting entities that are required to undergo audits, those that are not required to do so, and those reporting entities that do not fit either category.

Click the Forward arrow to learn more about each category.

The screenshot shows a web-based training interface. At the top left is the Department of Defense seal and the text 'Office of the Under Secretary of Defense (Comptroller)'. At the top right are 'Help' and 'Course Progress' buttons. A navigation menu on the left lists modules and sections, with '4.1 FIAR Guidance: Approach to Audit Readiness' selected. A central slide titled 'Category 1:' features a blue box with the text 'Category 1' and a paragraph of text. The slide has a close button (X) in the top right and navigation arrows at the bottom. The background shows a blurred view of the course content.

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Category 1:

Category 1

Category 1 includes all Reporting Entities that are required to undergo annual audits on their stand-alone financial statements by OMB Bulletin No. 07-04 or the Senate Select Committee on Intelligence. These entities include the Military Departments, Military Retirement Fund, U.S. Army Corps of Engineers, National Reconnaissance Office, Defense Intelligence Agency, National Geospatial-Intelligence Agency and National Security Agency. These Reporting Entities are required to follow the FIAR Guidance, including the FIAR Methodology, and report their progress to the FIAR Directorate.

When you have reviewed each bullet item, click the Forward Arrow.

FIAR Approach to Audit Readiness, Category 1

Category 1 includes all Reporting Entities that are required to undergo annual audits on their stand-alone financial statements by OMB Bulletin No. 07-04 or the Senate Select Committee on Intelligence. These entities include the Military Departments, Military Retirement Fund, U.S. Army Corps of Engineers, National Reconnaissance Office, Defense Intelligence Agency, National Geospatial-Intelligence Agency and National Security Agency. These Reporting Entities are required to follow the FIAR Guidance, including the FIAR Methodology, and report their progress to the FIAR Directorate.

Please click the "X" button on the upper-right side to return to the prior screen.

The screenshot shows a web-based training interface. At the top left is the Department of Defense seal and the text 'Office of the Under Secretary of Defense (Comptroller)'. At the top right are 'Help' and 'Course Progress' buttons. The main content area is titled '4.1 FIAR Guidance: Approach to Audit Readiness'. A sidebar on the left lists various modules and sections, including '4.0 Overview', '4.1 FIAR Guidance', '4.2 FIAR Goal', '4.3 Priorities and Objectives', '4.4 FIAR Strategy and DoD Strategic Management Plan', '4.5 Enterprise Transition Plan', '4.6 System Transformation Initiatives', '4.7 FIAR Stakeholder Roles and Responsibilities', '4.8 FIAR Guidance and ICOPR Requirements', and '4.9 Key Points'. A pop-up window is overlaid on the content, titled 'Category 2:'. It features a blue button labeled 'Category 2' and a text box containing the following text: 'Category 2 includes other Reporting Entities that are material to the Department's consolidated financial statements, but not included in Category 1. These entities may elect to, but are not required to undergo annual financial statement audits on their stand-alone financial statements; instead, they will be part of the Department's consolidated audit. These agencies are also required to follow the FIAR Guidance, and report their audit readiness progress to the FIAR Directorate.' The pop-up window has a close button (an 'X' in a circle) in the top right corner and navigation arrows at the bottom left. At the bottom of the screen, there is a footer with a copyright symbol, navigation arrows, and the text 'When you have reviewed each bullet item, click the Forward Arrow.'

FIAR Approach to Audit Readiness, Category 2

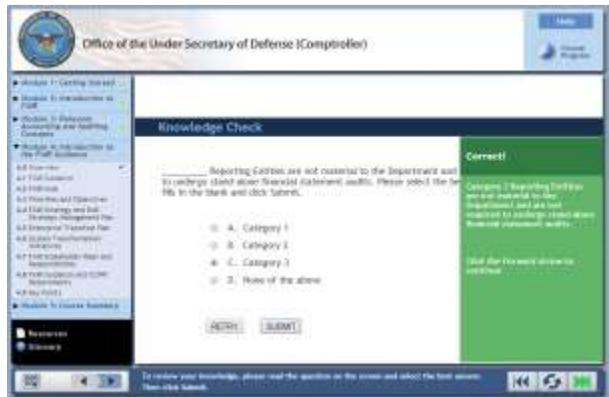
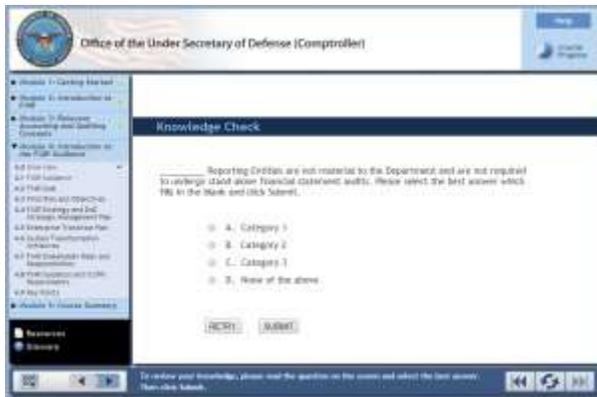
Category 2 includes other Reporting Entities that are material to the Department's consolidated financial statements, but not included in Category 1. These entities may elect to, but are not required to undergo annual financial statement audits on their stand-alone financial statements; instead, they will be part of the Department's consolidated audit. These agencies are also required to follow the FIAR Guidance, and report their audit readiness progress to the FIAR Directorate.

Please click the "X" button on the upper-right side to return to the prior screen.

FIAR Approach to Audit Readiness, Category 3

Category 3 includes all remaining Reporting Entities. Category 3 Reporting Entities are not material to the Department and are not required to undergo stand-alone financial statement audits, but may elect to do so. Please note that Reporting Entities undergoing an annual audit are not included in Categories 1 through 3. Several Reporting Entities such as USACE – Civil Works, Military Retirement Fund, DFAS, DCAA, OIG, etc., are undergoing an annual financial statement audit and have received an opinion on its financial statements.

Please click the "X" button on the upper-right side to return to the prior screen.



Module 4 Knowledge Check

For this Knowledge Check, please select the best answer which fills in the blank and then click Submit.

Correct Feedback Screen Text: Answer C is correct because Category 3 Reporting Entities are not material to the Department and are not required to undergo stand-alone financial statement audits. Click the Forward arrow to continue.

Incorrect Feedback Screen Text: Answer A is incorrect because Category 1 includes all Reporting Entities that are required to undergo annual audits on their stand-alone financial statements by OMB Bulletin No. 07-04 or the Senate Select Committee on Intelligence. Answer B is incorrect Category 2 includes other Reporting Entities that are material to the Department's consolidated financial statements, but not included in Category 1. Answer D is incorrect because Answer C is correct.

Click the Forward arrow to continue.

The screenshot shows a training interface for the Office of the Under Secretary of Defense (Comptroller). The header includes the Department of Defense logo and the text 'Office of the Under Secretary of Defense (Comptroller)'. A 'Help' button and a 'Course Progress' indicator are in the top right. A left sidebar lists modules: Module 1 (Getting Started), Module 2 (Introduction to FIAR), Module 3 (Relevant Accounting and Auditing Concepts), Module 4 (Introduction to the FIAR Guidance), and Module 5 (Course Summary). Under Module 4, sections 4.0 through 4.9 are listed, with 4.0, 4.1, and 4.2 marked as completed. Below the sidebar are 'Resources' and 'Glossary' links. The main content area is titled '4.2 FIAR Goal' and contains the following text:

What is the Goal of FIAR?

The FIAR Goal is to improve the Department's financial management operations

- Helps provide America's Service men and women with the resources they need to carry out their mission
- Improves our stewardship of the resources entrusted to us by the taxpayers

Success will be demonstrated through:

- Achievement and sustainment of audit readiness
- Financial statement audit resulting in an unqualified audit opinion

At the bottom, there is a navigation bar with a 'Click the Forward Arrow to continue.' instruction and navigation icons (back, forward, home, refresh).

FIAR Goal

The 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.

Click the Forward arrow to continue.

Office of the Under Secretary of Defense (Comptroller)

4.3 Priorities and Objectives

In his August 11, 2009 memo, the USD(C) directed the Department:

- To focus its limited resources in the most effective manner
- Place the highest priority on process improvements, controls, and systems that produce budgetary information
- Place priority on a second goal of ensuring that asset accountability and important management information relevant to mission critical assets is accurately recorded
- Reflecting the USD(C)'s priorities, the FIAR Directorate has broken financial statement audit readiness efforts into four distinct waves

Wave 1: Appropriations Received Audit (Includes Fund Balance with Treasury)

Wave 2: SBR Audit

Wave 3: Mission Critical Asset Existence & Completeness Audit

Wave 4: Full Audit Except for Existing Asset Valuation

Click the Forward Arrow to continue.

FIAR Guidance Prepares the Department to Achieve Audit Readiness

In his August 11, 2009 memo, the Under Secretary of Defense (Comptroller) directed the Department:

- To focus its limited resources in the most effective manner, “with a primary emphasis on improving financial information and processes so that the information is more useful to managers.”
- Because budgetary information is used widely and regularly for management, place the highest priority on process improvements, controls, and systems that produce budgetary information—that will eventually lead to unqualified opinions on the Statements of Budgetary Resources (also known as the SBR).
- Also, place priority on a second goal of ensuring that asset accountability and important management information relevant to mission critical assets is accurately recorded. Mission critical assets include Military Equipment, Real Property, Inventory, Operating Materials & Supplies, and General Equipment. This priority addresses the existence and completeness (E&C) of assets, (that is, verifying that records accurately capture the number of each type of mission critical asset). Existence and completeness are two of the four financial statement assertions that will be addressed in Wave 3.
- The fifth financial statement assertion, Valuation, will be addressed in Wave 4.
- Reflecting the USD(C)'s priorities, the FIAR Directorate has broken financial statement audit readiness efforts into four distinct waves.
 - The first three waves should be performed concurrently because they reflect the USD(C)'s two priority areas, budgetary information and mission-critical assets
 - At the completion of all four waves, Components should be prepared for a full-scope financial statement audit

Click the Forward arrow to continue.



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4.3 Priorities and Objectives: Wave 1

Wave 1 - Appropriations received audit focuses on the appropriations receipt and distribution process.

This includes all funding appropriated by Congress for the current year, and related apportionment/re-apportionment activity by the Office of Management and Budget, as well as allotment and sub-allotment activity within the Department and Component.

Wave 1 allows the Department to demonstrate accountability and auditability of all funding appropriated by Congress for the current fiscal year, and the related apportionment and allotment activities.

Click the Forward Arrow to continue.

FIAR Guidance Prepares the Department to Achieve Audit Readiness, Wave 1

Wave 1 - Appropriations received audit focuses on the appropriations receipt and distribution process. This includes all funding appropriated by Congress for the current year, and related apportionment/re-apportionment activity by the Office of Management and Budget, as well as allotment and sub-allotment activity within the Department and Component. Wave 1 allows the Department to demonstrate accountability and auditability of all funding appropriated by Congress for the current fiscal year, and the related apportionment and allotment activities.

Click the Forward arrow to continue.


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4.3 Priorities and Objectives: Wave 2



Wave 2 - SBR audit focuses on all processes, internal controls, systems and supporting documentation that must be audit ready before the Statement of Budgetary Resources (SBR) can be audited--excluding the appropriations processes covered in Wave 1.

Successful completion of this wave, allows the Department to demonstrate accountability and auditability of their SBR, e.g., Appropriations Received, Commitment and Obligations, and Outlays as well as related processes such as procure-to-pay, e.g., purchasing supplies, hire-to-rotate, order-to-case and budget-to-report, in addition to fund balance with Treasury reporting and reconciliation.

CC
◀ ▶
Click the Forward Arrow to continue.
⏪ ⏩

FIAR Guidance Prepares the Department to Achieve Audit Readiness, Wave 2

Wave 2 - SBR audit, focuses on all processes, internal controls, systems and supporting documentation that must be audit ready before the Statement of Budgetary Resources (or SBR) can be audited--excluding the appropriations processes covered in Wave 1.

Successful completion of this wave, allows the Department to demonstrate accountability and auditability of their SBR, for example, Appropriations Received, Commitment and Obligations, and Outlays as well as related processes such as procure-to-pay, e.g., purchasing supplies, hire-to-rotate, order-to-case and budget-to-report, in addition to Fund Balance with Treasury reporting and reconciliation.

Click the Forward arrow to continue.



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4.3 Priorities and Objectives: Wave 3

Wave 3 - Mission critical asset E&C audit focuses on the existence and completeness (E&C) financial statement assertions, but also includes the Rights assertion and a portion of the Presentation and Disclosure assertion.

As we mentioned earlier, Existence refers to the Reporting Entity ensuring that recorded assets exist and can be located. Completeness refers to the Reporting Entity ensuring that all transactions are recorded in the period they occurred.

Click the Forward Arrow to continue.

FIAR Guidance Prepares the Department to Achieve Audit Readiness, Wave 3

Wave 3 - Mission critical asset E&C audit, focuses on the existence and completeness (E&C) financial statement assertions, but also includes the Rights assertion and a portion of the Presentation and Disclosure assertion.

As we mentioned earlier, Existence refers to the Reporting Entity ensuring that recorded assets exist and can be located. Completeness refers to the Reporting Entity ensuring that all transactions are recorded in the period they occurred.

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4.3 Priorities and Objectives: Wave 4

Wave 1 → **Wave 2** → **Wave 3** → **Wave 4**

Appropriations Received Audit
Includes Fund Balance with Treasury

SBR Audit

Mission Critical Asset Existence & Completeness Audit

Full Audit Except for Existing Asset Valuation

Wave 4 - Full audit except for Existing Asset Valuation focuses on a full financial statement audit, except for valuation of existing assets.

At the successful completion of this wave, the Department will demonstrate accountability and auditability of Accounts Receivable, Revenue, Accounts Payable, Expenses, Environmental Liabilities, Other Liabilities along with the transactions covered in Wave 2.

Completion of this wave also includes the Department demonstrating auditability of the Valuation assertion for new asset acquisitions.

Click the Forward Arrow to continue.

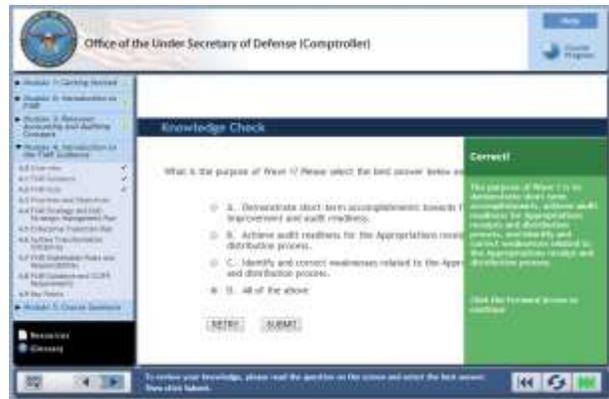
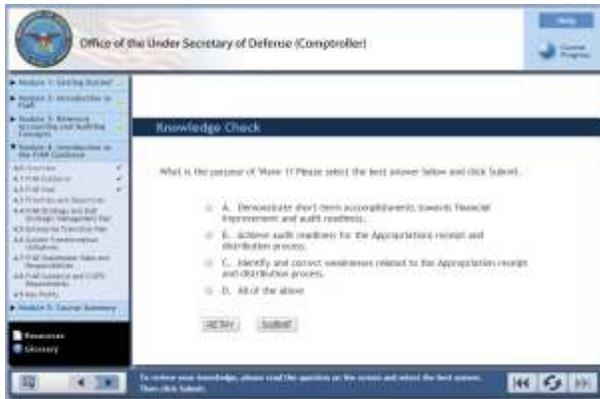
FIAR Guidance Prepares the Department to Achieve Audit Readiness, Wave 4

Wave 4 - Full audit except for Existing Asset Valuation focuses on a full financial statement audit, except for valuation of existing assets.

At the successful completion of this wave, the Department will demonstrate accountability and auditability of Accounts Receivable, Revenue, Accounts Payable, Expenses, Environmental Liabilities, Other Liabilities along with the transactions covered in Wave 2.

Completion of this wave also includes the Department demonstrating auditability of the Valuation assertion for new asset acquisitions. Reporting entity audit readiness efforts must include all remaining processes, controls, and supporting documentation that result in financial transactions and balances that are material to their financial statements, except for those related to legacy asset valuation. To effectively remediate new PP&E acquisition processes, reporting entities must identify the date they will be able to establish processes and practices (i.e., adequate systems and internal control practices) for future acquisitions.

Click the Forward arrow to continue.



Module 4 Knowledge Check

For this Knowledge Check, please select the best answer and then click Submit.

Correct Feedback Screen Text: Answer D is correct because the purpose of Wave 1 is to demonstrate short-term accomplishments, achieve audit readiness for Appropriations receipts and distribution process, and identify and correct weaknesses related to the Appropriations receipt and distribution process. Please click the Forward button to continue.

Incorrect Feedback Screen Text: Answer A, B, and C are incorrect since all three make up the correct answer: demonstrate short-term accomplishments, achieve audit readiness for Appropriations receipts and distribution process, and identify and correct weaknesses related to the Appropriations receipt and distribution process.

Please click the Forward button to continue.

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4.4 FIAR Strategy

What is the DoD Strategic Management Plan and how is the FIAR Strategy linked to it?

The Strategic Management Plan meets the requirements of the 2008 National Defense Authorization Act (NDAA)

- Establishes five top-level priorities for business operations, including Volunteer Force, Contingency Plan, Acquisition Reform, Civilian Workforce and Financial Management
- Achieving financial improvement and audit readiness allow for meeting one of the top-level priorities
- Priorities within the SMP are developed by the Deputy Secretary of Defense / DoD Chief Management Officer (DCMO)

Click the Forward Arrow to continue.

FIAR Strategy and Linkage to DoD Strategic Management

The Strategic Management Plan meets the requirements of the 2010 NDAA and it establishes five top-level priorities for business operations, including Volunteer Force, Contingency Plan, Acquisition Reform, Civilian Workforce and Financial Management (Business Priority 5). Achieving financial improvement and audit readiness allow for meeting one of the top-level priorities. The priorities within the SMP are developed by the Deputy Secretary of Defense / DoD Chief Management Officer (DCMO).

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4.4 FIAR Strategy: DoD Strategic Management Plan

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Take a moment to review the graphic, then click the Forward arrow to continue.

DoD Strategic Management Plan

As noted previously, Financial Management is one of the seven business goals. Due to its size and complexity, the Department utilizes a “family of plans” approach to cascade enterprise business priorities into functional and organizational plans. These include the FIAR Plan, the OUSD (AT&L) Plans, and the Defense Enterprise Transition Plan.

Take a moment to review the graphic, then click the Forward arrow to continue.

Office of the Under Secretary of Defense (Comptroller)

4.4 FIAR Strategy

What is the DoD Strategic Management Plan and how is the FIAR Strategy linked to it?

- Business Goal 2, "Strengthen DoD Financial Management," identifies the Department's plans and strengthens their relationships to ensure Department leaders have access to timely, relevant, and reliable financial and cost information to make informed decisions
- One focus area of Business Goal 2 is to "sustain public confidence through auditable financial statements"
- The FIAR Guidance provides the strategy and methodology to integrate the Department and Component financial, acquisition, and enterprise transition plans
- The Business Goal 2 has one key initiative that drives auditability: execute FIAR strategy and plans to achieve audit readiness by Fiscal Year 2017

Click the Forward Arrow to continue.

DoD Strategic Management Plan and Link to FIAR

Let's discuss Business Goal 2 in more depth:

- Business Goal 2, "Strengthen DoD Financial Management," identifies the Department's plans and strengthens their relationships to ensure Department leaders have access to timely, relevant, and reliable financial and cost information to make informed decisions
- One focus area of Business Goal 2 is to "sustain public confidence through auditable financial statements."
- The FIAR Guidance provides the strategy and methodology to integrate the Department and Component financial, acquisition, and enterprise transition plans.

Continuing our study of Business Goal 2, it is important to know that the Business Goal 2 has one key initiative that drives auditability:

- Execute FIAR strategy and plans to achieve audit readiness by Fiscal Year 2017

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4.5 Enterprise Transition Plan

What is the ETP and its importance to audit readiness?

A conceptual roadmap that implements the Department's business enterprise architecture (BEA)

The ETP defines the path to a transformed DoD enterprise and identifies business investments that provide enterprise capabilities that support the warfighter and decision makers

The ETP includes:

- ▶ The acquisition strategy for new systems that comprise the target enterprise architecture
- ▶ A list of the defense business legacy systems expected to be part of the target environment
- ▶ Time-phased milestones, performance metrics, and a statement of the financial and non-financial resource needs

The ETP implements the BEA and is aligned to the SMP

Click the Forward Arrow to continue.

The Enterprise Transition Plan

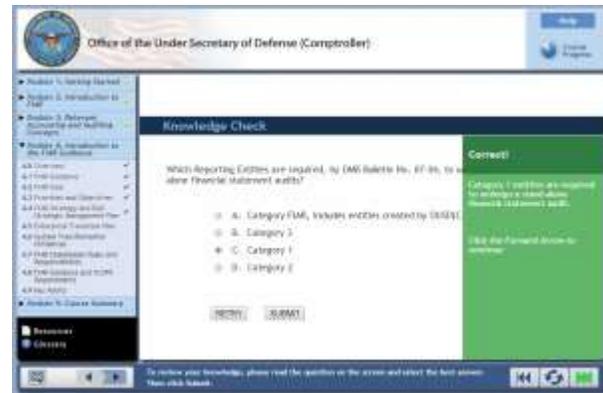
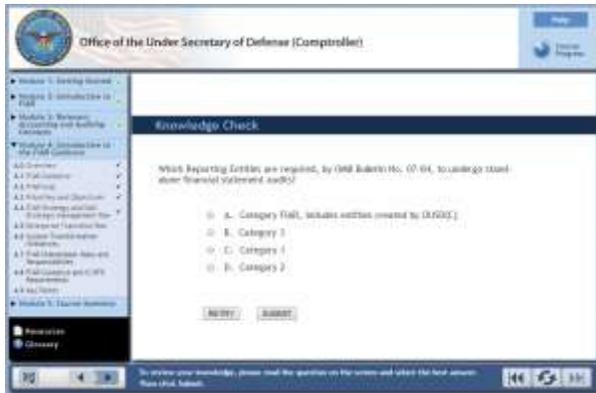
The Enterprise Transition Plan (ETP) is a conceptual roadmap that implements the Department's business enterprise architecture (BEA) and is periodically reported to the Congress. The ETP defines the path to a transformed DoD enterprise and identifies business investments that provide enterprise capabilities that support the warfighter and decision makers.

The Enterprise Transition Plan includes:

- The acquisition strategy for new systems that comprise the target enterprise architecture
- A list of the defense business legacy systems expected to be part of the target environment
- Time-phased milestones, performance metrics and a statement of the financial and non-financial resource needs

The ETP implements the BEA and is aligned to the SMP

Click the Forward arrow to continue.



Module 4 Knowledge Check

For this Knowledge Check, please read the question and select the correct answer. When ready click Submit.

Correct Feedback Screen Text: Answer C is correct because Category 1 entities are required to undergo a stand-alone financial statement audit. Category 2 entities are not required to undergo stand-alone financial statement audits, but may elect to undergo stand-alone audits or be included as part of the Department's consolidated audit. Category 3 entities are all remaining Reporting Entities not included in Category 1 or 2; these entities are not material to the Department and are not required to undergo stand-alone financial statement audits, but may elect to do so. Click the Forward arrow to continue.

Incorrect Feedback Screen Text: Not quite. Answer C is correct: Category 1 entities are required to undergo a stand-alone financial statement audit. Category 2 entities are not required to undergo stand-alone financial statement audits, but may elect to undergo stand-alone audits or be included as part of the Department's consolidated audit. Category 3 entities are all remaining Reporting Entities not included in Category 1 or 2; these entities are not material to the Department and are not required to undergo stand-alone financial statement audits, but may elect to do so.

Click the Forward arrow to continue.

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4.6 System Transformation Initiatives

What is the importance of system transformation initiatives?

- Success in financial management improvement is dependent on system modernization and business transformation initiatives
- FIAR and ETP efforts must be aligned to comply with Federal Managers Financial Integrity Act (FMFIA)
- Reporting entities must create Financial Improvement Plans (FIPs) that demonstrate how the system modernization, e.g., Enterprise Resource Planning (ERP) implementation, addresses known internal control deficiencies and process compliance issues
- The FIPs must also demonstrate that system requirements and transformation initiatives can be mapped to Key Control Objectives (KCOs) and control activities that will ensure that system controls will be properly designed and will operate effectively to remediate known weaknesses

Click the Forward Arrow to continue.

System Transformation Initiatives

What is the importance of system transformation initiatives?

- Success in financial management improvement is dependent on system modernization and business transformation initiatives
- FIAR and ETP efforts must be aligned to comply with Federal Managers Financial Integrity Act (FMFIA)

Continuing with our study of system transformation initiatives:

- Reporting entities must create FIPs that demonstrate how the system modernization, such as ERP implementation, address known internal controls deficiencies and process compliance issues.
- In addition, the FIPs must also demonstrate that system requirements and transformation initiatives can be mapped to Key Control Objectives (KCOs) and control activities that will ensure that system controls will be properly designed and will operate effectively to remediate known weaknesses, such as ensuring all recorded equipment exists.

Click for the Forward arrow to continue.

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4.7 FIAR Stakeholder Roles and Responsibilities

What is the FIAR Governance Board, including its roles and responsibilities?

- ▶ Establishes a governance structure that engages all of its key stakeholders
- ▶ Provides the vision, goal, and priorities of the FIAR strategy
- ▶ Engages senior leaders from the financial management community
- ▶ Provides a visible leadership commitment

Leadership	• CMO
Vision, Leadership, Oversight & Accountability	• USDC/ICFO, DoD DCMO, MILDEP DCMO, MILDEP FM/C, Asst Secretaries, DFO, DFAS Director, DIA Compt
Leadership & Implementation Direction	• DCFO, FIAR Director, AT&L Directors, MILDEP FM/C, Deputy Asst Secretaries, Senior Assessment Team (SAT), DFAS DepDir, DIA Compt, DoD IG (Advisory Member)
Guidance Development & Issue Resolution	• FIAR Director, Senior Staff of AT&L, Component FM and Functional Offices, DoDIG (Advisory Member)
Detail Plan Development & Issue Identification	• FIAR Staff, Staff of AT&L, Component FM and Functional Offices
Plan Execution	• Major Commands, Service Providers

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Then, you may click the Forward arrow to continue.

The FIAR Governance Board

The FIAR Governance Board, an oversight role, is comprised of personnel across the Department at the highest level. It:

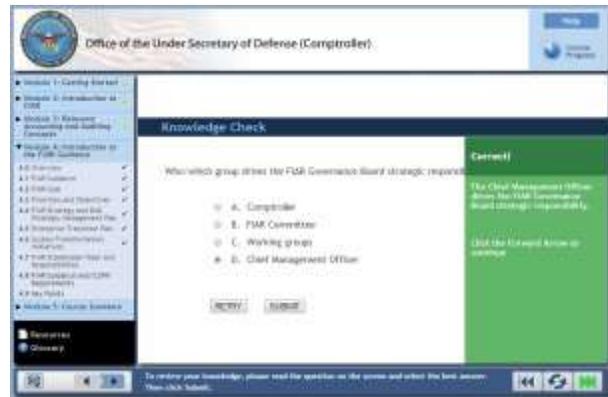
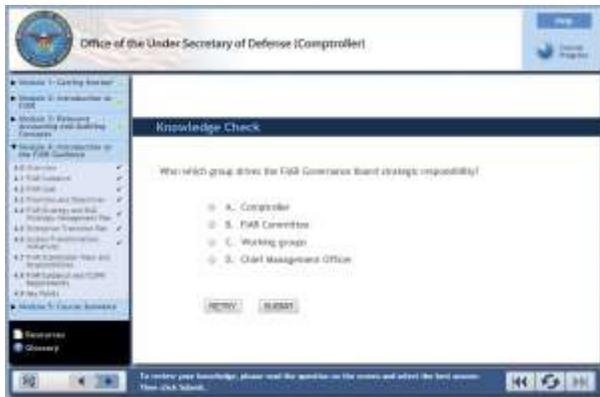
- Establishes a governance structure that engages all of its key stakeholders
- Provides the vision, goals, and priorities of the FIAR strategy

The FIAR Governance Board also:

- Engages the Department's most senior leaders from the financial management community along with DCMOs and senior representatives from OUSD (AT&L)
- Provides the Department with a visible leadership commitment

Please view the graphic by clicking the plus sign to the right of the image. When you are done viewing the graphic, click the X button on the upper right-hand of the graphic.

Then, you may click the Forward arrow to continue.



Module 4 Knowledge Check

To review your knowledge, please read the question on the screen and select the best answer. Then click Submit.

Correct Feedback Screen Text: Answer D is correct because the Chief Management Officer drives the FIAR Governance Board strategic responsibility. Click the Forward arrow to continue.

Incorrect Feedback Screen Text: Answer A is incorrect because the Comptroller monitors and summarizes components progress and is accountable for component level progress for auditability. Answer B is incorrect because FIAR committee is chaired by the Deputy CFO and oversees Management of the FIAR Plan. Answer C is incorrect because Working Groups help to ensure that service organizations have been considered and factored into the reporting entities' audit readiness efforts.

Click the Forward arrow to continue.

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4.8 FIAR Guidance and ICOFR Requirements

Is there a relationship between the FIAR Guidance and OMB Circular A-123, Appendix A/ICOFR requirements?

- ▶ The FIAR Guidance fully merges OMB Circular A-123, Appendix A, requirements into the FIAR Methodology, resulting in compliance with both the CFO Act and OMB A-123, Appendix A
- ▶ This integration drives efficiency in the utilization of the Department's resources to meet the objectives of achieving an audit readiness state
- ▶ The reporting entities should submit interim work products to FIAR in accordance with their FIP milestone dates
- ▶ Internal Control Testing must be performed on an annual basis. Therefore, reporting entities must continue to perform the related procedures each year, even after reporting entities have attained and audit ready state

Click the Forward Arrow to continue.

FIAR Guidance Link to ICOFR

In April 2011, the Honorable Robert Hale signed the USD(C) Memorandum titled “Changes to the Annual Internal Control Over Financial Reporting (ICOFR) Statement of Assurance (SOA) Reporting Requirements” that states that the ICOFR guidance will be fully integrated with the FIAR Guidance.

As such, the FIAR Guidance fully merges OMB Circular A-23, Appendix A, requirements into the FIAR Methodology, resulting in compliance with both CFO Act and OMB A-123, Appendix A. This integration drives efficiency in the utilization of the Department’s resources to meet the objectives of achieving an audit readiness state.

The reporting entities should submit interim work products (e.g., process flowcharts and narratives, risk assessments, test plans, etc.) to FIAR in accordance with their FIP milestone dates.

Internal Control Testing must be performed on an annual basis. Therefore, reporting entities must continue to perform the related procedures each year, even after reporting entities have attained and audit ready state.

Other courses in the FIAR curriculum (FIAR 102, FIAR 201, FIAR 202, and FIAR 203) discuss the FIAR methodology in detail, including the key tasks and the FIAR work products that satisfy ICOFR requirements.

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4.9 Key Points

The key points that you should take away from this module are:

- FIAR Guidance provides instructions for implementing a consistent Department-wide plan toward achieving the Department's FIAR objectives
- FIAR Guidance includes four prioritized waves to achieve and sustain audit readiness
- The ETP defines the path to a transformed DoD enterprise and identifies business investments that provide enterprise capabilities that support the warfighter and decision makers
- Success in financial management improvement is dependent on system modernization and business transformation initiatives
- The FIAR Guidance fully merges OMB Circular A-123, Appendix A, requirements into the FIAR Methodology

Click the Forward Arrow to continue.

Module 4 Key Points

The key points that you should take away from this module are:

- FIAR Guidance provides instructions for implementing a consistent Department-wide plan toward achieving the Department's FIAR objectives
- FIAR Guidance includes five prioritized waves to achieve and sustain audit readiness
- The ETP defines the path to a transformed DoD enterprise and identifies business investments that provide enterprise capabilities that support the warfighter and decision makers
- Success in financial management improvement is dependent on system modernization and business transformation initiatives
- The FIAR Guidance fully merges OMB Circular A-123, Appendix A requirements into the FIAR Methodology

Click the Forward arrow to continue

The screenshot shows a web-based course interface. At the top left is the Department of Defense seal and the text "Office of the Under Secretary of Defense (Comptroller)". At the top right are "Help" and "Course Progress" buttons. The left sidebar contains a navigation menu with the following items: "Module 1: Getting Started" (checked), "Module 2: Introduction to FIAR" (checked), "Module 3: Relevant Accounting and Auditing Concepts" (checked), "Module 4: Introduction to the FIAR Guidance" (checked), and "Module 5: Course Summary" (expanded). Under "Module 5: Course Summary", there are sub-items "5.0 Key Points" and "5.1 Conclusion". Below the menu are "Resources" and "Glossary" links. The main content area displays the title "MODULE 5: Course Summary" and a quote: *"The financial audit elements of 'existence and completeness' translate directly into knowing 'what we have' and 'where it is,' so we can use the equipment in combat and ensure that our acquisition organization is buying only what DoD needs."* The quote is attributed to "The Honorable Robert F. Hale, Under Secretary of Defense (Comptroller) and CFO, July 27, 2011". At the bottom, there is a navigation bar with a Creative Commons license icon, a forward arrow button, and the text "Click the Forward Arrow to continue.", along with other navigation icons (back, refresh, forward).

Module 5 Course Summary, the USD(C) Statement on the FIAR Plan

“The financial audit elements of ‘existence and completeness’ translate directly into knowing ‘what we have’ and ‘where it is,’ so we can use the equipment in combat and ensure that our acquisition organization is buying only what DoD needs.” The Honorable Robert F. Hale, Under Secretary of Defense (Comptroller) and CFO, July 27, 2011.

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Help
Course Progress

- ▶ Module 1: Getting Started ✓
- ▶ Module 2: Introduction to FIAR ✓
- ▶ Module 3: Relevant Accounting and Auditing Concepts ✓
- ▶ Module 4: Introduction to the FIAR Guidance ✓
- ▼ Module 5: Course Summary
 - 5.0 Key Points
 - 5.1 Conclusion

5.0 Key Points

- Day to day operations impact financial reporting and financial statements
- Control weaknesses and other issues impact audit readiness
- Requisite knowledge for success in FIAR
- Reporting entities' infrastructure needed for success with FIAR
- FIAR Guidance: a step-by-step methodology to achieve FIAR
- Accounting requirements relate to recording of transactions, determining value of transactions, determining timing of recording transactions, and disclosing information regarding recorded transactions
- Reporting Entities must follow the DoD FMR unless it contradicts the accounting requirements
- "GAAP hierarchy" should be followed when determining accounting requirements

Resources
Glossary

Now, click the Forward Arrow to continue reviewing the key points to take away from the course.

Key Points to Take Away

Now let's review the key points to take away from this course:

- Day to day operations such as determining and obtaining funding; committing and obligating funds; receiving services and disbursing funds have an impact on financial reporting, impacting financial statements such as the Balance Sheet, Statement of Budgetary Resources, Statement of Net Cost, and Statement of Changes in Net Position
- Control weaknesses, supporting documentation issues, and complex existing systems are preventing the Department from achieving audit readiness
- Requisite knowledge, such as understanding of the accounting requirements, content of the financial statements, importance of the internal controls, and knowledge of systems, is essential to successfully completing in FIAR activities
- Reporting Entities need to have the necessary infrastructure in place to achieve and sustain FIAR
- The FIAR Guidance captures previously issued guidance into one document and provides a step-by-step methodology to achieve FIAR
- Accounting requirements relate to the recording of transactions, determining value of the transactions, determining the timing of recording transactions, and disclosing information regarding recorded transactions
- Reporting Entities must follow the DoD FMR unless it contradicts the accounting requirements
- The "GAAP Hierarchy" should be followed when determining the accounting requirements to follow

Now, click the Forward arrow to continue reviewing the key points to take away from the course.

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▼ Module 5: *Course Summary*
5.0 Key Points
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5.0 Key Points

- OMB Circular A-136 defines the form and content requirements for Federal financial statements
- Management is responsible for accuracy of financial statements and must assert to the financial statement assertions
- Internal control is a critical component in achieving audit readiness and reliable financial reporting
- FIAR Guidance provides instructions for implementing a consistent Department-wide plan toward achieving the Department's FIAR objectives
- FIAR Guidance includes four prioritized waves to achieve and sustain audit readiness
- The ETP defines the path to a transformed DoD enterprise and identifies business investments that provide enterprise capabilities that support the warfighter and decision makers
- Success in financial management improvement is dependent on system modernization and business transformation initiatives
- The FIAR Guidance fully merges OMB Circular A-123, Appendix A, requirements into the FIAR Methodology

Resources
Glossary

Click the Forward Arrow to continue.

Key Points to Take Away, Continued

Continuing our review of the key points to take away from this course:

- OMB Circular A-136 defines the form and content requirements for Federal financial statements
- Management is responsible for the accuracy of the financial statements and must assert to the financial statement assertions
- Internal control is a critical component in achieving audit readiness and reliable financial reporting
- FIAR Guidance provides instructions for implementing a consistent Department-wide plan toward achieving the Department's FIAR objectives
- FIAR Guidance includes four prioritized waves to achieve and sustain audit readiness
- The ETP defines the path to a transformed DoD enterprise and identifies business investments that provide enterprise capabilities that support the warfighter and decision makers
- Success in financial management improvement is dependent on system modernization and business transformation initiatives
- The FIAR Guidance fully merges OMB Circular A-123, Appendix A, requirements into the FIAR Methodology

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DEPARTMENT OF DEFENSE
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Help

Course Progress

- ▶ Module 1: *Getting Started* ✓
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- ▶ Module 4: *Introduction to the FIAR Guidance* ✓
- ▼ Module 5: *Course Summary* ✓
 - 5.0 Key Points ✓
 - 5.1 Conclusion ✓

CONGRATULATIONS!

You have completed FIAR 101

The following Services, Agencies and Individuals contributed to the content of this course: Debora Brand, OUSD(C) FWM; Victoria Crouse, OUSD(C) FIAR; CFCM Advisory Board Members

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Resources

Glossary

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Conclusion

Congratulations on completing FIAR 101! You must complete the final exam for this class to obtain CPE credit.

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