



UNITED STATES DEPARTMENT OF DEFENSE
FINANCIAL IMPROVEMENT AND
AUDIT READINESS (FIAR)



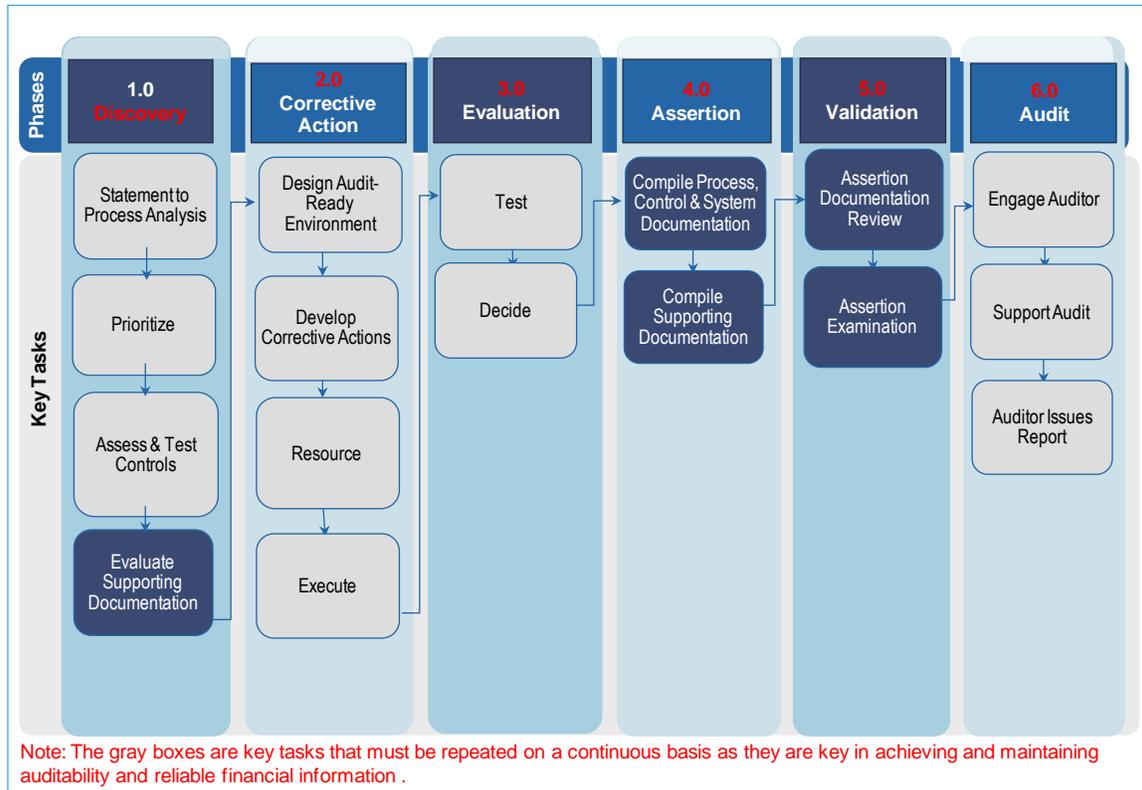
Assertion Documentation Review Workplan

February 2012

ASSERTION DOCUMENTATION REVIEW WORKPLAN

OVERVIEW OF THE VALIDATION PHASE

The Validation Phase occurs after a reporting entity has completed the Discovery, Corrective Action, Evaluation and Assertion Phases. There are 2 key tasks within the Validation Phase: Assertion Documentation Review and Assertion Examination. If the reporting entity successfully passes the Validation Phase they proceed to the Audit Phase.



FIAR Methodology

(Source: FIAR Guidance, December 2011, p. 2, Figure 2)

Per the FIAR Guidance, the Validation Phase officially begins when a reporting entity has asserted audit readiness for a Wave, assessable unit, sub-assessable unit, or financial statement. However, Reporting Entities are encouraged to submit work products to FIAR for informal review and feedback prior to the validation phase. Per the FIAR Guidance, the reporting entity must complete 3 steps in order to formally assert audit readiness:

- Submit a memorandum addressed to the DCFO and DoD OIG declaring that the subject matter (assessable unit) is audit ready. Refer to FIAR Guidance Section 2.D for guidance on management assertions. The assertion must be signed by the person, individual, or representative of the organization responsible for the subject matter (assessable unit).

- Submit “audit ready” assertion documentation in accordance with the prescribed requirements to both the DoD OIG and FIAR Directorate. Assertion documentation must be provided in either hard copy and/or electronic format, such as the DFAS ePortal or CD-ROM, depending on the volume of documentation, so that they are readily accessible for FIAR/DoD OIG/other auditor requests.
- Schedule a “kick-off” meeting between the reporting entity, FIAR Directorate, DoD OIG, and Service Providers (if appropriate) to walk through contents of the assertion documentation.

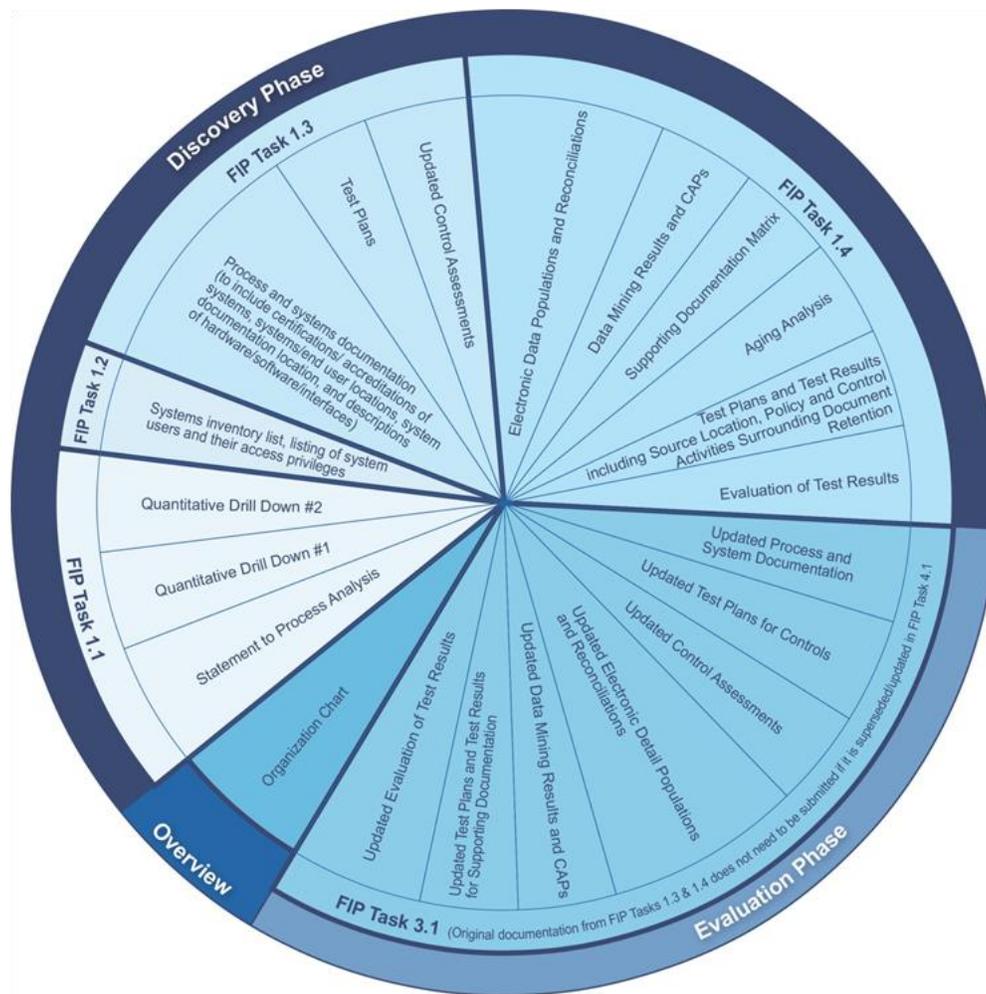
Upon receipt of the management assertion memorandum and assertion documentation, the Validation Phase of the FIAR methodology commences. The DoD OIG and the FIAR Directorate will begin the assertion documentation review, which includes verifying that all required documents have been completed, all required management testing has been performed, and management testing results reasonably indicate that risks have been mitigated and outcomes/control objectives have been achieved. This step is accomplished by evaluating the assertion documentation to determine whether management’s conclusions are adequately supported and whether the reporting entity is ready to enter the second key task of the Validation Phase: assertion examination. See Appendix B for the detailed activities within the Validation Phase and the resulting work products.

The time estimated to complete the assertion documentation review is 2 months. The DoD OIG and FIAR Directorate generally perform independent reviews of the assertion documentation during the 2 month review period; however the DoD OIG and FIAR Directorate may choose to work collaboratively and discuss overall observations at any point during the review period. At the end of the assertion documentation review, the DoD OIG will issue a memo to the FIAR Directorate stating the results of the assertion documentation review. The FIAR Directorate will then make a final determination of the assertion documentation and communicate to the reporting entity whether they are ready to start an assertion examination or provide feedback on additional work needed. See Appendix B for more information on the Validation Phase and the Audit Phases.

CONDUCTING THE ASSERTION DOCUMENTATION REVIEW

1. ASSERTION DOCUMENTATION

The FIAR Guidance mandates that certain work products be completed throughout the execution of the FIAR Methodology. When a reporting entity is asserting audit readiness, they must compile the work products shown in the following figure, and use this as the assertion documentation.



Assertion Documentation Work Product Requirements
 (Source: FIAR Guidance December 2011, p. 67, Figure 40)

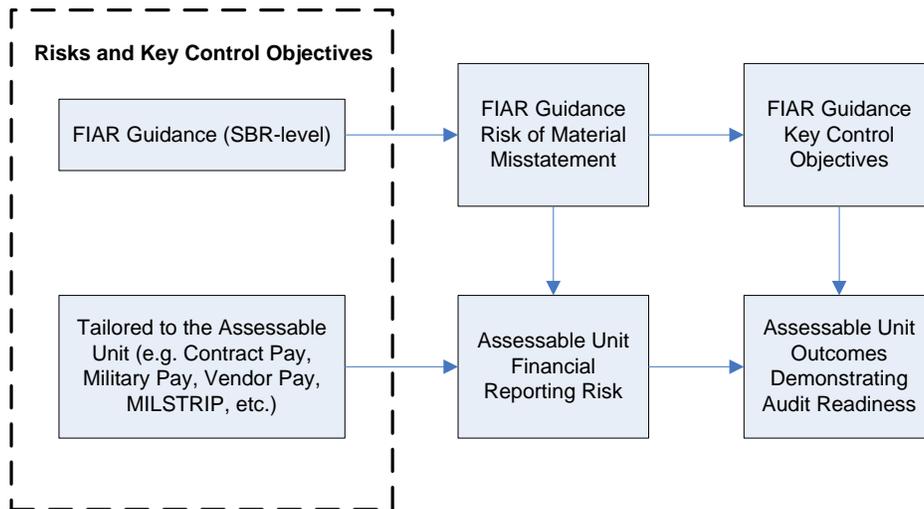
The FIAR Directorate is responsible for verifying that all required documents have been completed, which will aid in determining whether management’s conclusions are adequately supported and whether the reporting entity is ready to enter the Assertion Examination. The tables in Appendix A depict the detailed steps the FIAR Directorate uses to evaluate the work products in the assertion documentation.

2. FIAR RISKS AND OUTCOMES/KEY CONTROL OBJECTIVES

After the assertion documentation work products are reviewed, the FIAR Directorate will evaluate whether internal controls and supporting documentation testing demonstrates that risks have been mitigated and outcomes/control objectives have been achieved.

For Waves 1 & 3, the FIAR Guidance contains a listing of key control objectives (KCOs) that address key risk areas most likely to be present based on the Department’s experience. Reporting entities must apply judgment to determine if additional KCOs should be included given their specific business processes and financial statements. For the most common Wave 2 assessable units throughout DoD, FIAR has defined baseline financial reporting risks and related

outcomes. Specifically, FIAR has identified the key risks for these assessable units that may cause a financial statement balance to be inaccurate or invalid. Once the risks are mitigated the related assessable unit outcome is achieved. The graphic below depicts how the tailored risks and outcomes relate to the Wave 2 risks of material misstatement and key control objectives identified.



Relationship of Wave 2 Risks and Key Control Objectives to Assessable Unit Financial Reporting Risks and Related Outcomes

(Source: FIAR Guidance December 2011, Appendix C, p. C-19, Figure 2)

The following tables are extracts of Wave 1 & 3 KCOs and Wave 2 assessable unit risks and outcomes, per the FIAR Guidance December 2011.

WAVE 1 – KEY RISKS OF MATERIAL MISSTATEMENT AND KEY CONTROL OBJECTIVES

Wave 1 – Appropriations Received Key Risks of Material Misstatement	
Financial Statement Assertions	Key Risks of Material Misstatement
Existence	1. Recorded budget authority does not exist (e.g., not authorized by Public Law) (FAM 395B: 4)
Completeness	2. All new budget authority made available for obligation was not recorded (GAO-02-126G; p. 26)
Valuation	3. New budget authority was recorded at incorrect amounts (GAO-02-126G; p. 25) 4. Apportionment amounts do not agree to the total appropriated amount (FAM 395F: 01b) 5. Allotted amounts do not agree to appropriated/apportioned amounts (FAM 395F: 01c)
Presentation and Disclosure	6. Accumulated accounts or transactions are not properly classified and described in the SBR and SF-133 (FAM 395B: 15) 7. The current period SBR is based on accounting principles different from those used in prior periods presented (FAM 395B: 16) 8. Information needed for fair presentation in accordance with U.S. GAAP is not disclosed in the financial statements (including OMB and FASAB guidance) (FAM 395B: 17)
Rights and Obligations	9. Agencies do not have rights to budgetary resources reported on the SBR (FAM 395F: 01a)

Wave 1 – Appropriations Received Key Control Objectives							
Line Items	Key Control Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
Budgetary Authority: Appropriations Note: While not a part of Wave 1, these same KCOs should be used for Borrowing Authority and Contract Authority, if applicable.	1. Appropriation transactions (or other forms of budget authority): Recorded appropriation (or other forms of budget authority) is the same as the appropriation or other legislation, that was made available for obligation (including restrictions on amount, purpose & timing) and pertains to the entity (FAM 395F: 01a)	X		X		X	X
	2. Appropriation transactions (or other forms of budget authority): All new budget authority that was made available for obligation was recorded in the proper accounts and properly summarized (GAO-02-126G; p. 26)	X	X		X		
	3. Apportionment transactions: Recorded apportionments agree with the OMB apportionments (as indicated on the apportionment schedules), and the total amount apportioned does not exceed the total amount appropriated (FAM 395F: 01b)	X		X		X	X
	4. Allotment and sub-allotment transactions: The total amount allotted does not exceed the total amount apportioned (FAM 395F: 01c)						X

WAVE 2 – ASSESSABLE UNIT FINANCIAL REPORTING RISKS AND OUTCOMES

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
Contract Pay				
1	All obligations may not be recorded timely	SBR Wave 2, ROMM #20	All obligations are recorded in the correct period and within 10 days of award	SBR Wave 2, KCO #33
2	Obligations may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #7, 8, 11, 12, 19, 34, 44	Obligations are recorded accurately (correct amount, Treasury account, vendor, line of accounting (agrees to requisition), reporting entity) and contracts are valid (authorized/approved transactions supported by contract)	SBR Wave 2, KCO #24, 25, 26, 30, 31, 32, 34, 35, 53, 54
3	All accruals and/or payables may not be recorded timely	SBR Wave 2, ROMM #21	All accruals and/or payables (for goods/services received not yet invoiced) are recorded in the correct period and within 10 days of receipt	SBR Wave 2, KCO # 41, 43
4	Accruals and/or payables may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #34	All accruals and/or payables are recorded accurately (correct amount, Treasury account, contract/obligation/line of accounting, reporting entity) and invoices are valid (authorized/approved transactions supported by evidence goods/services were received or otherwise due)	SBR Wave 2, KCO #37, 39, 40, 42, 43, 44, 53, 54
5	All disbursements may not be recorded timely	SBR Wave 2, ROMM #22	All disbursements are recorded in the correct period and within 10 days of payment	SBR Wave 2, KCO #57, 60
6	Disbursements may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #10, 36	Disbursements are recorded accurately (correct amount, Treasury account, contract/obligation/line of accounting, reporting entity) and disbursements are valid (authorized/approved transactions supported by invoice and receiving report)	SBR Wave 2, KCO #55, 56, 58, 59, 61
7	Stale or invalid obligations and accruals may not be removed	SBR Wave 2, ROMM #2, 9, 14, 27	All obligations and accruals are reviewed, and adjusted as necessary, at least three times per year	SBR Wave 2, KCO #11, 12, 22, 27, 43
8	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
MILSTRIP				
1	All obligations may not be recorded timely	SBR Wave 2, ROMM #20	All obligations are recorded in the correct period and within 10 days	SBR Wave 2, KCO #33
2	Obligations may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #7, 8, 11, 12, 19, 34, 44	Obligations are recorded accurately (correct amount, Treasury account, line of accounting, reporting entity) and are valid (authorized/approved transactions supported by requisition documentation)	SBR Wave 2, KCO #24, 25, 26, 30, 31, 32, 34, 35, 53, 54
3	All receipt/payables may not be recorded timely	SBR Wave 2, ROMM #21	All receipts/payables (for goods received not yet invoiced) are recorded in the correct period and within 10 days of receipt	SBR Wave 2, KCO # 41, 43
4	Receipt/Payables may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #34	All receipts/payables are recorded accurately (correct amount, line of accounting, obligation, Treasury account, reporting entity) and are valid (authorized/approved transactions supported by evidence goods were actually received)	SBR Wave 2, KCO #37, 39, 40, 42, 43, 44, 53, 54
5	All disbursements may not be recorded timely	SBR Wave 2, ROMM #22	All disbursements are recorded in the correct period and within 10 days of payment	SBR Wave 2, KCO #57, 60
6	Disbursements may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #10, 36	Disbursements are recorded accurately (correct amount, line of accounting, obligation, Treasury account, reporting entity) and disbursements are valid (authorized/approved transactions supported by invoice and receiving report)	SBR Wave 2, KCO #55, 56, 58, 59, 61
7	Stale or invalid obligations and accruals may not be removed	SBR Wave 2, ROMM #2, 9, 14, 27	All obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	SBR Wave 2, KCO #11, 12, 22, 27, 43
8	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
Vendor Pay				
1	All obligations may not be recorded timely	SBR Wave 2, ROMM #20	All obligations are recorded in the correct period and within 10 days	SBR Wave 2, KCO #33
2	Obligations may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #7, 8, 11, 12, 19, 34, 44	Obligations are recorded accurately (correct amount, Treasury account, vendor, line of accounting, reporting entity) and are valid (authorized/approved transactions supported by obligation documentation)	SBR Wave 2, KCO #24, 25, 26, 30, 31, 32, 34, 35, 53, 54
3	All accruals and/or payables may not be recorded timely	SBR Wave 2, ROMM #21	All accruals and/or payables (for goods/services received not yet invoiced) are recorded in the correct period and within 10 days of receipt	SBR Wave 2, KCO # 41, 43
4	Accruals and/or payables may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #34	All accruals and/or payables are recorded accurately (correct amount, Treasury account, obligation/line of accounting, reporting entity) and invoices are valid (authorized/approved transactions supported by evidence goods/services were received or otherwise due)	SBR Wave 2, KCO #37, 39, 40, 42, 43, 44, 53, 54
5	All Disbursements may not be recorded timely	SBR Wave 2, ROMM #22	All disbursements are recorded in the correct period and within 10 days of payment	SBR Wave 2, KCO #57, 60
6	Disbursements may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #10, 36	Disbursements are recorded accurately (correct amount, Treasury account, obligation/line of accounting, reporting entity) and disbursements are valid (authorized/approved transactions supported by invoice and receiving report)	SBR Wave 2, KCO #55, 56, 58, 59, 61
7	Stale or invalid obligations and accruals may not be removed	SBR Wave 2, ROMM #2, 9, 14, 27	All obligations and accruals are reviewed, and adjusted as necessary, at least three times per year	SBR Wave 2, KCO #11, 12, 22, 27, 43
8	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
Reimbursable Work Order – Grantor				
1	All obligations may not be recorded timely	SBR Wave 2, ROMM #20	All obligations are recorded in the correct period and within 10 days	SBR Wave 2, KCO #33
2	Obligations may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #7, 8, 11, 12, 19, 34, 44	Obligations are recorded accurately (correct amount, Treasury account, line of accounting, reporting entity) and are valid (authorized/approved transactions supported by authorized documentation)	SBR Wave 2, KCO #24, 25, 26, 30, 31, 32, 34, 35, 53, 54
3	All accruals/payables may not be recorded timely	SBR Wave 2, ROMM #21	All receipts/payables (for goods/services received not yet invoiced) are recorded in the correct period and within 10 days of receipt	SBR Wave 2, KCO # 41, 43
4	Accruals/payables may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #34	All receipts/payables are recorded accurately (correct amount, line of accounting, obligation, Treasury account, reporting entity) and are valid (authorized/approved transactions supported by evidence goods/services were actually received)	SBR Wave 2, KCO #37, 39, 40, 42, 43, 44, 53, 54
5	All IPAC disbursements/advances may not be recorded timely	SBR Wave 2, ROMM #22	All IPAC disbursements/Advances are recorded in the correct period and within 10 days of payment	SBR Wave 2, KCO #57, 60
6	IPAC Disbursements/advances may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #10, 36	IPAC Disbursements/Advances are recorded accurately (correct amount, line of accounting, obligation, Treasury account, reporting entity) and are valid (authorized/approved transactions supported by invoices/orders/receiving report)	SBR Wave 2, KCO #55, 56, 58, 59, 61
7	Stale or invalid obligations and accruals may not be removed	SBR Wave 2, ROMM #2, 9, 14, 27	All obligations and accruals are reviewed, and adjusted as necessary, at least three times per year	SBR Wave 2, KCO #11, 12, 22, 27, 43
8	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
Fund Balance with Treasury				
1	All disbursements and collections may not be reported timely	FBWT Wave 2, ROMM #4, 5	All disbursements and collections are reported to Treasury in the correct period and within Treasury deadline	SBR Wave 2, KCO # 73, 74, 77, 78
2	Disbursements and collections may not be reported accurately or be valid	FBWT Wave 2, ROMM # 1, 6, 8, 13, 26, 42	Disbursements and collections are accurately (correct amount, Treasury account, budget fiscal year) reported to Treasury and are valid (authorized/approved transactions supported by documentation, e.g. invoice and receiving report)	SBR Wave 2, KCO # 9, 10, 73, 74, 78, 79, 81
3	All Treasury accounts may not be reconciled timely	FBWT Wave 2, ROMM #2	All Treasury accounts related to the Component are reconciled monthly within required timeline	SBR Wave 2, KCO # 48, 77, 78
4	Reconciliations, including general ledger and disbursing system data, may not be accurate	FBWT Wave 2, ROMM #1, 6, 8, 10, 11	All Treasury reconciliations, including general ledger and disbursing system data, are accurate (using correct Treasury accounts, dollar amounts/ accounting periods from GWA, General Ledger, and Disbursing)	SBR Wave 2, KCO # 48, 72, 79, 81, 82, 83
5	All reconciling items may not be identified timely	FBWT Wave 2, ROMM #3, 4, 5	All reconciling differences and budget clearing account items are identified at the transaction level (specific disbursement or collection causing the difference)	SBR Wave 2, KCO # 75, 76
6	Reconciling items may not be resolved accurately or be valid	FBWT Wave 2, ROMM # 1, 6	Reconciling and budget clearing account items are appropriately resolved (adjustment recorded in General Ledger or reported to Treasury (SF 1219/1220), at the correct amount (Treasury account and budget fiscal year) and valid (authorized/approved transactions supported by documentation that demonstrates how the individual transaction should have been recorded/reported)	SBR Wave 2, KCO # 75, 76
7	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
Appropriations Received				
1	Apportionment amounts do not agree to the total appropriated amount	Appropriations Received Wave 1, ROMM #4, 9; SBR Wave 2, ROMM #29	Apportionments agree to total amount appropriated (dollar amount, Treasury account, type of funds, years of availability)	Appropriations Received Wave 1, KCO #1, 2, 3; SBR Wave 2 #45
2	Allotted amounts do not agree to appropriated/apportioned amounts	Appropriations Received Wave 1, ROMM #5; SBR Wave 2, ROMM #30	Allotted amounts agree to total amount apportioned/appropriated (dollar amount, Treasury account, type of funds, years of availability)	Appropriations Received Wave 1, KCO #4
3	Current year funds distributed may not be recorded timely in the Distribution System	Appropriations Received Wave 1, ROMM #2, 3; SBR Wave 2, ROMM #15, 28	All current year funds are recorded in Distribution System the correct period	Appropriations Received Wave 1, KCO #2
4	Current year funds distributed may be recorded inaccurately in the Distribution System or may be invalid	Appropriations Received Wave 1, ROMM #3; SBR Wave 2, ROMM #28	Current year funds are recorded accurately (correct amount, treasury account, type of funds, years of availability, reporting entity) and are valid (authorized/approved transactions supported by Funding Authorization Documents (FAD))	Appropriations Received Wave 1, KCO #1, 2, 3
5	Current year sub-allotments may not be recorded timely	Appropriations Received Wave 1, ROMM #2, 3; SBR Wave 2, ROMM #15, 28	Current year sub-allotments are recorded in the correct period	Appropriations Received Wave 1, KCO #2
6	Current year sub-allotments may be recorded inaccurately or may be invalid	Appropriations Received Wave 1, ROMM #3; SBR Wave 2, ROMM #28	Current year sub-allotments are recorded accurately (correct amount, Treasury account, type of funds, years of availability, reporting entity) and are valid (authorized/approved transactions supported by FAD)	Appropriations Received Wave 1, KCO #1, 2, 3
7	Current year funds distributed may not be recorded timely in the General Ledger	Appropriations Received Wave 1, ROMM #2, 3; SBR Wave 2, ROMM #15, 28	Current year funds are recorded in the general ledger in the correct period.	Appropriations Received Wave 1, KCO #2
8	Current year funds distributed may be recorded inaccurately in the General Ledger or may be invalid	Appropriations Received Wave 1, ROMM #3; SBR Wave 2, ROMM #28	Current year funds are recorded accurately (correct amount, Treasury account, type of funds, years of availability, reporting entity) and are valid (authorized/approved transactions supported by Funding Authorization Documents (FAD))	Appropriations Received Wave 1, KCO #1, 2, 3
9	Other activity (e.g. undistributed amounts) may be recorded inaccurately in the General Ledger that may affect the balance of current year fund distributed within the organization.	Appropriations Received Wave 1 #3; SBR Wave 2, ROMM #28	Other activity (e.g. undistributed amounts) that affect the balance of the current year funds distributed within the organization are recorded accurately (correct amount, Treasury account, type of funds, years of availability, reporting entity).	Appropriations Received Wave 1, KCO #2
10	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
Military Pay				
1	Personnel information may not be recorded timely	SBR Wave 2, ROMM #19, 20, 21, 22	All personnel information (promotions, changes in dependents, entering/exiting theater, etc.) are recorded timely	SBR Wave 2, KCO #32, 33, 41, 43
2	Personnel information may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #7, 9, 22, 34, 36, 38, 39	Personnel information is recorded accurately (correct amount, correct action, correct individual) and are valid (authorized/approved transactions supported by request for personnel action)	SBR Wave 2, KCO #27, 34, 35, 37, 41, 42, 43, 44
3	Payroll may be calculated or processed inaccurately	SBR Wave 2, ROMM #7, 9, 22, 34, 36, 38, 39	Payroll is calculated and processed accurately	SBR Wave 2, KCO #27, 34, 35, 37, 41, 42, 43, 44
4	All payroll obligations, expenses, accruals, and disbursements may not be recorded timely	SBR Wave 2, ROMM #19, 20, 21, 22	All payroll obligations, expenses, accruals, and disbursements are recorded timely	SBR Wave 2, KCO #32, 33, 41, 43
5	Payroll obligations, expenses, accruals, and disbursements may not be recorded accurately or may be invalid	SBR Wave 2, ROMM #7, 9, 22, 34, 36, 38, 39	All payroll obligations, expenses, accruals, and disbursements are recorded at correct amounts in the General Ledger(s) and are valid entries (authorized/approved transactions supported by pay file, disbursing voucher, etc.)	SBR Wave 2, KCO #27, 34, 35, 37, 41, 42, 43, 44
6	Stale or invalid obligations and accruals may not be removed	SBR Wave 2, ROMM #2, 9, 14, 27	All obligations and accruals are reviewed, and adjusted as necessary, at least three times per year	SBR Wave 2, KCO #11, 12, 22, 27, 43
7	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
Civilian Pay				
1	Incorrect personnel information may be recorded	SBR Wave 2, ROMM #7, 34, 36	Civilian personnel actions are valid (authorized/approved transactions supported by requests for personnel action) and recorded accurately	SBR Wave 2, KCO #34, 37, 42
2	Personnel information is missing or incomplete	SBR Wave 2, ROMM #19, 20, 34	All civilian personnel actions are recorded timely	SBR Wave 2, KCO #32, 33, 34, 41,42, 43
3	Incorrect time and attendance information may be recorded	SBR Wave 2, ROMM #34, 36	T&A information is valid (authorized/approved transactions supported by timesheet) and is recorded correctly	SBR Wave 2, KCO #34, 42
4	Time and attendance information is missing or incomplete	SBR Wave 2, ROMM #19	All T&A information is recorded timely	SBR Wave 2, KCO #32, 33, 41, 43
5	Payroll may be calculated or processed incorrectly	SBR Wave 2, ROMM #34, 36	Bi-weekly payroll is calculated and processed correctly	SBR Wave 2, KCO #42
6	Payroll obligations, expenses, accruals and disbursements may be recorded incorrectly	SBR Wave 2, ROMM #10, 34, 38, 39, 40	Payroll obligations, expenses, accruals, and disbursements are valid (authorized/approved transactions supported by pay file, disbursing voucher, etc.) and are correctly recorded in the General Ledger(s)	SBR Wave 2, KCO #35, 37, 42, 44
7	All Payroll obligations, expenses, accruals and disbursements may not be recorded	SBR Wave 2, ROMM #22	All payroll obligations, expenses, accruals and disbursements are recorded in the General Ledger(s) timely	SBR Wave 2, KCO #41, 43
8	Stale obligations and accruals may not be removed	SBR Wave 2, ROMM #2, 9, 14, 27	All stale obligations and accruals are removed from the General Ledger(s) timely	SBR Wave 2, KCO #11, 12, 22, 27, 43
9	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
Reimbursable Work Orders - Acceptor				
1	All unfilled customer orders may not be recorded timely	SBR Wave 2, ROMM #16	All unfilled customer orders are recorded in the correct period and within 10 days	SBR Wave 2, KCO # 16, 17
2	Unfilled customer orders may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #4, 31, 34, 43	Unfilled customer orders are recorded accurately (correct amount, Treasury account, line of accounting, reporting entity) and are valid (authorized/approved transactions supported by MIPR)	SBR Wave 2, KCO # 13, 14, 16
3	All revenue, advances, IPACollections may not be recorded timely	SBR Wave 2, ROMM #23	All revenue/IPAC collections are recorded in the correct period and within 10 days of payment	SBR Wave 2, KCO # 15, 67, 68
4	Revenue/advances/IPAC collections may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #10, 37, 41	Revenue/IPAC collections are recorded accurately (correct amount, line of accounting, obligation, Treasury account, reporting entity) and are valid (authorized/approved transactions supported by invoices/orders/receiving report)	SBR Wave 2, KCO #65, 66, 69, 70, 71
5	Stale or invalid unfilled customer orders and uncollected customer payments/accounts receivable may not be removed	SBR Wave 2, ROMM #37	All unfilled customer orders and uncollected customer payments/accounts receivable are reviewed, and adjusted as necessary, at least three times per year	SBR Wave 2, KCO #66
6	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
Other Budgetary Activity				
1	All other budgetary activity (rescissions, non-expenditure transfers) may not be recorded timely	SBR Wave 2, ROMM #17, 18	All other budgetary activity is reported in the correct period.	SBR Wave 2, KCO #19, 21, 46
2	Other budgetary activity (rescissions, non-expenditure transfers) may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #5, 6, 32, 33, 38, 41	Other budgetary activity is recorded accurately (dollar amount, Treasury account, type of funds, years of availability) and valid (authorized/approved transaction supported by Public Law, Treasury Warrant, SF-1151s, FADs)	SBR Wave 2, KCO #18, 19, 20, 47, 50, 51
3	All current year other budgetary activity sub-allotments may not be recorded timely	SBR Wave 2, ROMM #17, 18	All current year other budgetary activity for sub-allotments is recorded in the correct period.	SBR Wave 2, KCO #19, 21, 46
4	Current year other budgetary activity sub-allotments may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #5, 32, 33, 38, 41	Current year other budgetary activity for sub-allotments are recorded accurately (correct amount, Treasury account, type of funds, years of availability, reporting entity) and are valid (authorized/approved transactions supported by FAD)	SBR Wave 2, KCO #18, 19, 20, 47, 50, 51
5	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
Financial Reporting				
1	All trial balances (or equivalents) are not produced timely	SBR Wave 2, ROMM #25, 40	Trial balances (or equivalents) are produced timely	SBR Wave 2, KCO #3, 8
2	Trial balances (or equivalents) are not accurate or valid	SBR Wave 2, ROMM #11, 12, 24, 38, 39	Trial balances (or equivalents) are accurate and valid	SBR Wave 2, KCO #1, 2, 4, 5, 6, 7
3	All trial balances (or equivalents) are not loaded into DDRS-B timely	SBR Wave 2, ROMM #25, 40	Trial balances (or equivalents) are loaded into DDRS-B timely	SBR Wave 2, KCO #3, 8
4	Trial balances (or equivalents) are not completely or accurately loaded into DDRS-B	SBR Wave 2, ROMM #11, 12, 24, 38, 39	Trial balances (or equivalents) are complete and accurately loaded into DDRS-B	SBR Wave 2, KCO #1, 2, 4, 5, 6, 7
5	All trial balance data in DDRS-B is not loaded into DDRS-AFS	SBR Wave 2, ROMM #25, 40	Trial balance data in DDRS-B is loaded into DDRS-AFS timely	SBR Wave 2, KCO #3, 8
6	Trial balance data is not accurately loaded from DDRS-B into DDRS-AFS	SBR Wave 2, ROMM #11, 12, 24, 38, 39	Trial balances data is accurately loaded from DDRS-B into DDRS-AFS	SBR Wave 2, KCO #1, 2, 4, 5, 6, 7
7	All adjustments recorded in DDRS-B and DDRS-AFS are recorded timely	SBR Wave 2, ROMM #25, 40	All adjustments are recorded timely in DDRS-B and DDRS-AFS	SBR Wave 2, KCO #3, 8
8	Adjustments recorded in DDRS-B and DDRS-AFS are not accurate or valid	SBR Wave 2, ROMM #11, 12, 24, 38, 39	All adjustments recorded in DDRS-B and DDRS-AFS are accurate (correct amount, Treasury account, line of accounting, reporting entity) and valid (authorized/approved transactions supported by appropriate documentation)	SBR Wave 2, KCO #1, 2, 4, 5, 6, 7
9	The Statement of Budgetary Resources, related footnotes and accompanying information is not completed timely	SBR Wave 2, ROMM #25, 40	The Statement of Budgetary Resources, related footnotes and accompanying information is completed timely.	SBR Wave 2, KCO #3, 8
10	The Statement of Budgetary Resources, related footnotes and accompanying information is not accurate or valid	Appropriations Received Wave 1, ROMM #8; SBR Wave 2, ROMM #38, 39, 40; FBWT Wave 2, ROMM #7, 9	The Statement of Budgetary Resources, related footnotes and accompanying information is accurate (complies with accounting and reporting standards) and valid (supported by data in DDRS-AFS)	SBR Wave 2 #1, 2, 3, 80, 84
11	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives

WAVE 3 – KEY RISKS OF MATERIAL MISSTATEMENT AND KEY CONTROL OBJECTIVES

Wave 3 – Mission Critical Asset E&C Audit Key Risks of Material Misstatement	
Financial Statement Assertions	Key Risks of Material Misstatement
Existence	<ol style="list-style-type: none"> 1. Recorded transactions do not represent economic events that actually occurred. (FAM 395B: 1) 2. Assets are not properly classified. (FAM 395B: 1c and 5) 3. Recorded assets do not exist at a given date (FAM 395B: 4) 4. Recorded assets may not be properly supported with adequate supporting documentation (FAM 395B: 4) 5. Transactions are recorded in the current period, but the related economic events occurred in a different period (FAM 395B: 2) 6. Transactions are summarized improperly, resulting in an overstated total (FAM 395B: 3)
Completeness	<ol style="list-style-type: none"> 7. Assets of the reporting entity exist but are omitted from the APSR and/or summary schedules (financial statement equivalent) (FAM 395B: 8) 8. Economic events occurred in the current period, but the related transactions are recorded in a different period (FAM 395B: 6) 9. Transactions are summarized improperly, resulting in an understated total (FAM 395B: 7)
Presentation and Disclosure	<ol style="list-style-type: none"> 10. Accumulated accounts or assets are not properly classified and described in the summary schedules (FAM 395B: 15) 11. The current period summary schedules (various classes of assets) are based on accounting principles different from those used in prior periods presented (FAM 395B: 16) 12. The entity is exposed to loss of assets and various potential misstatements, including certain of those above, as a result of inadequate segregation of duties (FAM 395B: 18)
Rights and Obligations	<ol style="list-style-type: none"> 13. Recorded assets are owned* by others because of sale, consignment, or other contractual arrangements (FAM 395B: 12) 14. The reporting entity does not have certain rights to recorded assets because of liens, pledges, or other restrictions (FAM 395B: 13) <p>* Note: OUSD(C) A&FP is currently updating the DoD FMR to clarify rights and reporting responsibilities for mission critical assets.</p>

Wave 3 – Mission Critical Asset E&C Audit Key Control Objectives						
Asset Categories	Key Control Objectives	Financial Statement Assertions				Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure & Rights & Obligations	
Military Equipment	1. Accounts and all the transactions (or assets) they accumulate are properly classified and Accounting principles are consistently applied from period to period (FAM 395B: 15, 16).		x		x	
Real Property	2. Ensure recorded transactions represent economic events that actually occurred and are properly classified (FAM 395B: 1c, 2).	x				
Inventory	3. Ensure recorded assets exist at a given date (FAM 395B: 4a).	x				
Operating Materials and Supplies	4. Ensure recorded assets at a given date, are supported by appropriate detailed records that are accurately summarized and reconciled to the account balance (FAM 395B: 4b).	x				
General Property	5. Ensure recorded assets are owned by the entity. The entity has rights to the recorded asset at a given date (FAM 395B: 12, 13).				x	
	6. Ensure all existing assets, as of the reporting date, including property in the custody of third parties, are included in the general ledger (FAM 395B: 8).		x			
	7. Asset transactions recorded in the current period represent economic events that occurred during the current period (FAM 395B: 2)	x				
	8. The summarization of recorded assets is not overstated (FAM 395B: 3)	x				
	9. All asset related events that occurred in the current period are recorded as transactions in the current period (FAM 395B: 6)		x			
	10. The summarization of recorded assets is not understated (FAM 395B: 7)		x			

APPENDIX A – ASSERTION DOCUMENTATION REVIEW

REPORTING ENTITY AND SERVICE PROVIDER ASSERTION DOCUMENTATION

Work Product:	Organization Chart
FIP Task:	Overview
Purpose:	Reporting entity/service provider must document its understanding of the environment by identifying and documenting the key personnel and relationships that impact the assertion.
Risk:	Reporting entity/service provider does not fully understand the environment and all of the parties involved in the assertion.
Procedures:	Based on understanding of reporting entity and the scope of the assertion, determine whether all key personnel are identified by name and position within the Organization Chart (e.g., DFAS should be included in Army’s FBWT assertion).
Results of Procedures:	
Follow-up:	

Work Product:	Statement to Process Analysis
FIP Task:	Reporting Entity – 1.1.1; Service Provider – 1.2.1
Purpose:	Reporting entity/service provider has fully defined the scope of its assertion and has identified all the material assessable units and systems. Systems must be scoped into the assertion if: <ol style="list-style-type: none"> 1) Controls within the system are identified as key controls in the controls assessment, 2) Systems are used to generate or store original key supporting documentation, or 3) Reports from a system are utilized in the execution of key controls.
Risk:	Reporting entity/service provider excludes key assessable units and systems from the scope of the assertion that could have a material effect on the business process or assessable unit being asserted as audit ready.
Procedures:	Procedures: <ol style="list-style-type: none"> 1) Verify the Drill Down begins with a financial statement and/or financial statement line item. 2) Review asset/transaction classes, object classes (e.g., for Civilian and Military Pay, Transportation of People), underlying processes, assessable units and sub-units for completeness based on knowledge of the business process.
Results of Procedures:	
Follow-up:	

Work Product:	Quantitative Drill Down – Levels 1 & 2
FIP Task:	Reporting Entity – 1.1.2; Service Provider – 1.2.2
Purpose:	Reporting entity/service provider has fully defined the scope of the assertion and has identified all the material assessable units and sub-units by evaluating the transactions/balances that make up the financial statement line item. Also, by depicting the dollar amount (or quantity) of each assessable unit and sub-unit, reporting entities are able to prioritize efforts and focus on those assessable units and systems with a material effect on the business process.
Risk:	Reporting entity/service provider has not identified all assessable units and sub-units that have a material dollar amount (or balance) of the business process.
Procedures:	Verify that the total dollar amount (or quantity) of the financial statement line item is disaggregated at the assessable unit, sub-unit and system level, using object class, transaction code or some other systematic method to demonstrate all processes that result in material transactions and balances are addressed. Note: Some assessable units and sub-units may not have any dollar value or balance directly related to them; however they may still be key because of other qualitative factors. For example, the civilian pay hiring process does not result in a financial transaction, but provides key supporting documentation for other civilian pay transactions.
Results of Procedures:	
Follow-up:	

Work Product:	Systems Inventory
FIP Task:	Reporting Entity – 1.2.3; Service Provider – 1.3.3
Purpose:	Reporting entity/service provider has identified all key systems and feeder systems that affect the assessable unit being asserted as audit ready. These key systems have been evaluated and IT controls have been identified and tested if the reporting entity is relying on: <ol style="list-style-type: none"> 1) Controls within the system are identified as key controls in the controls assessment, 2) Systems are used to generate or store original key supporting documentation, or 3) Reports from a system are utilized in the execution of key controls.
Risk:	Systems have not been identified that directly affect the assessable unit being asserted as audit ready. Reporting entity/service provider has not identified and tested IT controls and are choosing to rely on data contained within the system.
Procedures:	<ol style="list-style-type: none"> 1) Compare Systems Inventory List with Statement to Process Analysis to verify all key systems have been identified. 2) Based on knowledge of the assessable unit being asserted and a detailed review of process narratives and flowcharts and sources for supporting documents, determine whether all types of systems are accounted for (e.g. accounting, disbursing, ERPs, financial reporting, feeder systems, etc.) 3) Verify each system includes a description of the type of system, system owner, system description, and a system implementation/phase-out date (if applicable).
Results of Procedures:	
Follow-up:	

Work Product:	Listing of all System Users
FIP Task:	Reporting Entity – 1.2.3; Service Provider – 1.3.3
Purpose:	Reporting entity/service provider can demonstrate they are capable of generating lists of system users for system auditors.
Risk:	Reporting entity/service provider cannot timely generate lists of systems users, thus preventing the system auditors from testing IT access controls (e.g., segregation of duties, access controls, restricted access, etc.).
Procedures:	<ol style="list-style-type: none"> 1) Determine whether lists of system users and their roles (i.e., access privileges) within the system are included in the assertion documentation for <u>all key systems</u>. 2) Understand the design of access controls what the roles are allowed to do.
Results of Procedures:	
Follow-up:	

Work Product:	Process and system documentation (to include certification/accreditations of systems, system/end user locations, system documentation location, and descriptions of hardware/software/interfaces)
FIP Task:	Reporting Entity – 1.3.2; Service Provider – 1.4.2
Purpose:	Reporting entity/service provider has fully identified the complete end-to-end business process and has considered key events that affect financial reporting, as well as defined the computing environment including applications, supporting infrastructure, interconnections, and organizational responsibilities for ensuring the integrity of systems and data.
Risk:	<p>Reporting entity/service provider has not considered key business events that have an effect on financial reporting.</p> <ol style="list-style-type: none"> A. Narratives and Flowcharts: Reporting entity has not identified the complete end-to-end business process and therefore may miss key actions that could cause a material misstatement of their financial statements. B. Manual Controls: Reporting entity does not identify key manual controls used in the business process to mitigate the risk that there is a material misstatement of their financial statements. C. IT Application Controls: Reporting entity cannot rely on system-produced data or data reports because key IT Application Controls have not been identified and tested. D. IT General Controls: Reporting entity cannot rely on system-produced data or data reports because key IT General Controls have not been identified and tested. E. Risk Assessments: Reporting entity does not identify all key risks (to include system related risks) in the process to ensure there are controls in place (or other procedures performed) to ensure the availability and reliability of systems and data and to prevent a material misstatement of their financial statements. F. Certification/Accreditations of Systems: Key systems have not been certified or accredited therefore the reporting entity cannot rely on system data or reports produced by the system.

	<p>G. System/End User Location: Reporting entity cannot produce a listing of all system and end user locations, therefore IT Application and General Controls testing cannot be performed.</p> <p>H. Description of Hardware/Software/Interfaces: Reporting entities have not compiled and analyzed the hardware, software, and interfaces of the key systems, therefore they have not determined whether data produced by key systems is able to be relied upon.</p> <p>I. System Documentation Location: System documentation has not been compiled and assessed; therefore the reporting entity will not be able to produce system documentation the auditor may ask for.</p>
<p>Procedures:</p>	<p>A. Narratives and Flowcharts</p> <ol style="list-style-type: none"> 1) Does the documentation clearly indicate who is responsible for completing each task? 2) Does the documentation clearly indicate how each action is documented? 3) Does the documentation clearly indicate whether each action is manual or if it is occurring in a system? 4) Does the documentation clearly indicate the frequency of the activity? 5) Does the documentation clearly identify all system interfaces? 6) Does the documentation clearly indicate when accounting events occur and how they are recorded? 7) Overall, does the documentation create a complete, end-to-end depiction of the business process and can you follow one transaction from initiation to inclusion in the financial statements? <p>B. Manual Controls</p> <ol style="list-style-type: none"> 1) Does the documentation clearly identify controls? 2) Does the documentation clearly distinguish key controls from other controls? 3) For each action where a control is identified, is there also a corresponding risk identified in the documentation? <p>C. IT Application Controls</p> <ol style="list-style-type: none"> 1) Does the documentation clearly identify all IT Application Controls for each key systems identified in the process? <p>D. IT General Controls</p> <ol style="list-style-type: none"> 1) Does the documentation identify all IT General Controls for the key systems identified in the process? <p>E. Risk Assessments</p> <ol style="list-style-type: none"> 1) Does the documentation identify all key risks for the assessable unit? Reference Appendices A & B of this document for a listing of risks for each assessable unit. 2) Does the Risk Assessment identify a control objective for each risk? 3) Does the Risk Assessment include an assessment of high or low for each risk? 4) Does the Risk Assessment identify the financial statement assertions covered by each risk? <p>F. Certification/Accreditations of Systems</p> <ol style="list-style-type: none"> 1) Are the certifications and accreditations of each key system described or included in the assertion documentation? <p>G. System/End User Locations</p> <ol style="list-style-type: none"> 1) Has a list of all system and end user locations been provided for each key system? <p>H. Descriptions of Hardware/Software/Interfaces</p> <ol style="list-style-type: none"> 1) Does the assertion package include descriptions of hardware, software, and interfaces for each key system? <p>I. System Documentation Location</p> <ol style="list-style-type: none"> 1) If the assertion package does not include all of the system documentation (Certification/Accreditations of System, System/End

	User Locations, and Descriptions of Hardware/Software/Interfaces) is the documentation location disclosed?
Results of Procedures:	
Follow-up:	

Work Product:	Test Plans/Tests of Controls
FIP Task:	Reporting Entity – 1.3.4; Service Provider – 1.4.4
Purpose:	Reporting entity developed comprehensive test plans that show evidence that the control is operating effectively.
Risk:	Reporting entity has not performed adequate controls testing per the FAM, and may incorrectly determine that controls are operating effectively..
Procedures:	<p>1) At a minimum, test plans should include the following:</p> <ul style="list-style-type: none"> • risk, • financial statement assertion, • description of control activity, • test objective, • testing period, • test method (inquiry, walkthrough/observation, examination, re-performance), • control type (manual or automated), • control frequency, • population, • sample size, • criteria for effectiveness, • location of testing, • test description/procedures, and • contact information of person performing test. <p>2) Was the sample size selected in accordance with FIAR Guidance/FAM requirements?</p>
Results of Procedures:	
Follow-up:	

Work Product:	Control Assessments/Test Results
FIP Task:	Reporting Entity – 1.3.6; Service Provider – 1.4.6
Purpose:	Reporting entity has summarized testing results and identified the risks that were and were not mitigated as well as control objectives that were and were not satisfied by controls.

<p>Risk:</p>	<ul style="list-style-type: none"> A. Risks: Reporting entity has not identified all key risks (to include system related risks) in the process to ensure there are controls in place (or other procedures performed) to ensure the availability and reliability of systems and data and to prevent a material misstatement of their financial statements. B. Manual Controls: Reporting entity cannot rely on manual controls used in the business process to mitigate the risk that there is a material misstatement of their financial statements. C. IT Application Controls: Reporting entity cannot rely on system-produced data or data reports because key IT Application Controls do not prevent unauthorized data entry or the creation/manipulation of data. D. IT General Controls: Reporting entity cannot rely on system-produced data or data reports because key IT General Controls do not prevent unauthorized data entry or the creation/manipulation of data. E. Reporting entity has not adequately assessed test results; therefore they may incorrectly assume a risk is mitigated when it is not.
<p>Procedures:</p>	<ul style="list-style-type: none"> A. Risks <ul style="list-style-type: none"> 1) Does the documentation identify all key risks for the assessable unit? Reference Section 2 (FIAR Risks and Outcomes/Key Control Objectives) of this document for a listing of risks specific to each assessable unit. 2) Does the Risk Assessment include an assessment of high or low for each risk? 3) Does the Risk Assessment identify the financial statement assertions covered by each risk? 4) Does the Risk Assessment identify a control objective for each risk? 5) Does the Risk Assessment identify a key control or a control gap for each risk? 6) Does each control appear to effectively mitigate its associated risk? B. Manual Controls <ul style="list-style-type: none"> 1) Does the documentation clearly indicate who performs the manual control? 2) Does the documentation clearly indicate the timing and frequency of the control? 3) Does the documentation clearly indicate how and where the control is documented? 4) Does the documentation clearly indicate all manual controls surrounding system interfaces to ensure complete and accurate information is transferred from one system to another? C. IT Application Controls <ul style="list-style-type: none"> 1) Does the documentation clearly identify all IT Application Controls for each key system indentified in the process? 2) Does the documentation include a description of how often the IT Application Control occurs? 3) Have IT Application Controls been mapped to the FISCAM control objectives and techniques? 4) For FISCAM control objectives not covered by IT Application Controls, has the reporting entity documented the control gap and implemented corrective actions OR have they documented mitigating controls? D. IT General Controls <ul style="list-style-type: none"> 1) Have IT General Controls been mapped to the FISCAM control objectives and techniques for each key system? 2) For FISCAM control objectives not covered by IT General Controls, has the reporting entity documented the control gap and implemented corrective actions OR have they documented mitigating controls? 3) Does the documentation include a description of how often the IT General Control occurs? E. Test Results <ul style="list-style-type: none"> 1) Do the test results support management's assertion whether the control is operating effectively? E.g., testing pass rates are

	<p>consistent with the FIAR Guidance, Appendix D, Figure 5.</p> <p>2) For failed controls, has management appropriately demonstrated how they were able to overcome the control failure? E.g., through redundant or mitigating controls, additional substantive procedures, etc.</p> <p>3) Are there risks where no controls have been identified to mitigate the risk? If yes, have other procedures been identified that demonstrate the risk is immaterial?</p>
Results of Procedures:	
Follow-up:	

REPORTING ENTITY ONLY ASSERTION DOCUMENTATION

Work Product:	Reconciliation of detail schedules to Financial Statements (for SBR Areas) and APSR Summary Schedule and Financial Statements (for E&C Areas).
FIP Task:	1.4.1
Purpose:	Reporting entity has performed a reconciliation from its Financial Statements (for SBR Areas) and APSR and financial statements (for E&C Areas) to detailed transactions to ensure they have identified the complete population of transactions included in the assertion. This population of transactions should be used to sample for substantive testing.
Risk:	Reporting entity has not identified the complete universe of transactions and assets included in the assertion.
Procedures:	<p>Review the reconciliation to verify the reporting entity prepared a population of transaction-level or asset-level detail and reconciled this amount to the GL amounts or financial statements.</p> <p>Was testing performed on reconciling items, if potentially material?</p> <p>**Note: Be sure to confirm the detail file used in this reconciliation was the one management used to perform testing – helping to confirm reconciliation was performed at an appropriate level of detail.</p>
Results of Procedures:	
Follow-up:	

Work Product:	Data Mining and Corrective Actions
FIP Task:	1.4.2
Purpose:	Reporting entity should gain comfort that financial statements are accurate by searching for unusual or invalid transactions in the universe.
Risk:	The Reporting entity's universe contains unusual or invalid transactions that cause the financial statements to be misstated.

Procedures:	<ol style="list-style-type: none"> 1) Determine whether the entity performed data mining on the universe. 2) Review the reporting entity’s data mining results on the population and verify they identified unusual or invalid transactions, along with abnormal balances or missing data fields. 3) Determine whether reporting entity performed a root cause analysis on the unusual or invalid transactions, and abnormal balances or missing data fields. 4) Verify that the unusual or invalid transactions, and abnormal balances or missing data fields have been corrected and corrective actions have been developed, if necessary.
Results of Procedures:	
Follow-up:	

Work Product:	Supporting Documentation Matrix
FIP Task:	1.4.3
Purpose:	Reporting entity has identified key supporting documentation that supports all financial statement assertions.
Risk:	Reporting entity has not identified all supporting documentation an auditor may request; therefore retention policies may not be adequate to support an audit.
Procedures:	<ol style="list-style-type: none"> 1) Verify reporting entity has identified all key supporting documentation (KSDs) in accordance with the FIAR Guidance requirements. 2) Verify that financial statement assertions have been identified for each KSD. Also verify all assertions are "covered" by KSDs.
Results of Procedures:	
Follow-up:	

Work Product:	Aging Analysis
FIP Task:	1.4.4
Purpose:	<p>Reporting entity determines how many years of supporting documentation is needed to support the assertion and can develop document retention policies to ensure documentation is retained appropriately.</p> <p>**Note: For some assessable units (e.g., Civilian Pay), a separate aging analysis may not be necessary, however the reporting entity should identify document retention standards for KSDs. For other assessable units (e.g., Fund Balance with Treasury), an aging analysis must be performed.</p>
Risk:	Reporting entity has not retained supporting documentation for the number of years required to support the assertion.
Procedures:	<ol style="list-style-type: none"> 1) Determine whether the reporting entity performed an aging analysis. If reporting entity has completed an aging analysis, review the reporting entity’s assessment of how many years of electronic data and supporting documentation are needed to support the audit readiness assertion and determine whether it appears reasonable.

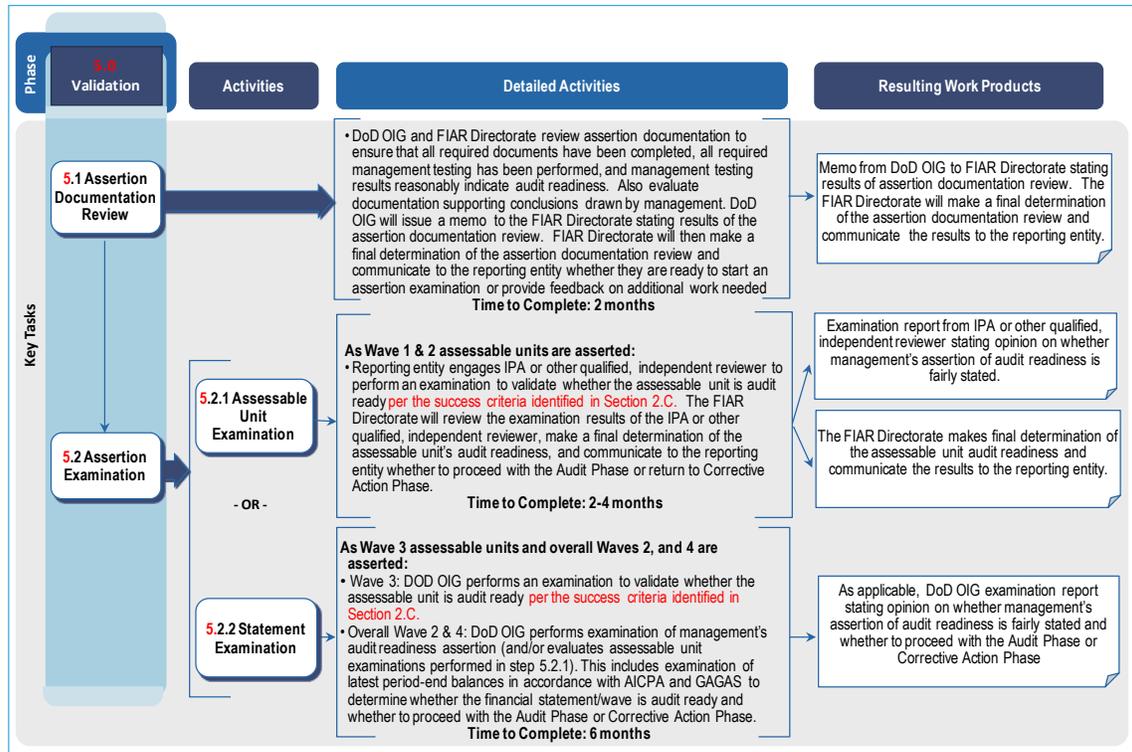
	2) If the reporting entity has not performed a separate aging analysis, verify that they have determined the document retention periods for each KSD identified in the Supporting Documentation Matrix.
Results of Procedures:	
Follow-up:	

Work Product:	Test Plans and Test Results
FIP Task:	1.4.5
Purpose:	Reporting entities have performed adequate testing to gain comfort that supporting documentation is retained and available for transactions/assets in the population. See FIAR Guidance Appendix D.3 for guidance on dual-purpose testing.
Risk:	Reporting entity has not retained adequate supporting documentation to support transactions/assets.
Procedures:	<p>1) At a minimum, test plans should include the following:</p> <ul style="list-style-type: none"> • risk, • financial statement assertion, • test objective, • testing period, • population, • sample size, • criteria for effectiveness, • location of testing, • test description/procedures, and • contact information of person performing test. <p>2) Review test results to verify that the test description/procedures were followed, supporting documentation was obtained and evaluated, the location and source of supporting documentation was assessed, and document retention periods were verified. Note that supporting documentation does not need to be included in the assertion documentation; however it should be available upon request.</p>
Results of Procedures:	
Follow-up:	

Work Product:	Evaluation of Test Results
FIP Task:	1.4.6
Purpose:	Reporting entities have identified all weaknesses and instituted corrective actions to remediate any supporting documentation

	weaknesses discovered in testing.
Risk:	Reporting entities have not identified all weaknesses or developed procedures that will correct supporting documentation weaknesses.
Procedures:	<p>Review test results and if deficiencies were found in testing, verify all deficiencies were identified, and that sufficient corrective actions were developed:</p> <ol style="list-style-type: none"> 1) Do the test results support management’s assertion whether the transactions and balances are appropriately supported with adequate supporting documentation? E.g., extrapolated errors are immaterial as compared to materiality, consistent with the FIAR Guidance Appendix D, Figure 8. 2) For areas where insufficient supporting documentation was noted, has management appropriately demonstrated how they were able to overcome the lack of documentation? E.g., (a) Through corrective action and retesting, or (b) through alternative procedures to demonstrate that the risk of unsupported transactions/balances is immaterial, or (c) through secondary documentation that provides sufficient indirect support to satisfy relevant financial statement assertions.
Results of Procedures:	
Follow-up:	

APPENDIX B – FIAR METHODOLOGY - VALIDATION AND AUDIT PHASES



Validation Phase
(Source: FIAR Guidance December 2011, p. 38, Figure 25)

	Validation Phase	Audit Phase
WAVE 1		
• Appropriations Received Assessable Unit	Assertion Examination by IPA or other qualified, independent reviewer engaged by the Reporting Entity.	Not applicable until full SBR is audit ready
WAVE 2		
• SBR Assessable Units	Assertion Examination by IPA or other qualified, independent reviewer engaged by the Reporting Entity	Not applicable until full SBR is audit ready
• Full SBR	Assertion Examination by DoD OIG	Audit by DoD OIG
WAVE 3		
• Mission Critical Asset Assessable Units	Assertion Examination by DoD OIG	Specified Elements Audit by DoD OIG
WAVE 4		
• All Financial Statements	Assertion Examination by DoD OIG	Audit by DoD OIG

Validation and Audit Phases for Each Wave
(Source: FIAR Guidance December 2011, p. 73, Figure 42)