

Message from the Under Secretary of Defense (Comptroller)/ Chief Financial Officer

When I joined the Department of Defense (DoD) in 2009, the audit readiness community was setting priorities, developing a strategy, and identifying needed resources. Today, over 90 percent of the Department's \$673 billion in current-year budgetary resources, including the current-year budgetary resources of the three Military Departments and some of our larger defense agencies, and 78 percent of our total budgetary resources are under audit. Additionally, the U.S. Army Corps of Engineers and a number of other defense organizations and funds are sustaining annual audit opinions. Throughout the Department, the workforce is learning what it means to be under annual audits.

With only 16 months remaining before we reach the September 30, 2017, target to have our full financial statements ready for audit, we are focusing on areas most critical to success—fixing known problems, integrating processes and systems, strengthening controls, and completing a count and valuation of our assets. Most importantly, we know what work has to be done, and we have a credible plan in place to do it. Throughout the Department, work is intensifying and finely focused.

For an organization as large as the Department of Defense, these accomplishments are significant and signal real change is taking place. No other federal agency is as complex as the DoD. We operate around the globe, on land, on the seas, in the air, in space, and in cyberspace. We buy everything from basic supplies to satellites and ships; provide worldwide health services to our uniformed members, their families, and veterans; support research and development critical to our national security; deploy troops; house and move families; and operate schools, commissaries, and recreational facilities. Our continual progress is a testament to the sustained commitment of leadership at the highest levels and of the hard work of our financial and functional communities. I remain confident that we have the right level of support, effort, and commitment to change to achieve full audit readiness.



Michael McCord
Under Secretary of Defense (Comptroller)/
Chief Financial Officer

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Message from the Assistant Deputy Chief Management Officer

I continue to be impressed with the diligence of the members of the Department to work on the actions that are required to improve business processes and internal controls that will allow the Department to become auditable. Working together, the Office of the Deputy Chief Management Officer; the Office of the Comptroller; the military departments; and key agencies have put together detailed plans to manage progress toward full audit readiness by September 30, 2017. I remain committed to overseeing and assisting the Department with achieving its goal of having its full financial statements audit ready.



With just over a year remaining to meet this goal, it is critically important the Department continues to meet its milestones to be prepared for the audit of its fiscal year 2018 full financial statements. Since the last report, initial audits of all the military departments have been conducted and we have adjusted our plans with responsive corrective actions. These improvements to how we do business are the key to being able to fully realize the improved management decisions that result from better fiscal and resource control.

I will continue to work closely with Under Secretary of Defense (Comptroller) Mike McCord, with whom I co-chair the Financial Improvement and Audit Readiness Governance Board, to monitor and hold accountable the senior leaders of the Military Departments and other defense organizations. I am confident we are continuing to move the Department in the right direction.

A handwritten signature in black ink, appearing to read 'D. Tillotson III'.

David Tillotson III
Assistant Deputy Chief Management Officer

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The FIAR Plan Status Report was prepared in accordance with section 1003 of the National Defense Authorization Act for Fiscal Year 2010, as amended. The report addresses issues impeding the reliability of the Department of Defense financial statements.

Preparation of this report cost the Department of Defense approximately \$205,066.

Executive Summary

The Department of Defense (DoD) is fully committed to improving business processes and systems so that it can begin an audit of the Department's financial statements by September 30, 2017. Being able to undergo an audit will reassure Congress and the American people that the Department is a good steward of its funds. However, the audit is not the end-game. Financial Improvement and Audit Readiness (FIAR) also supports the Department's need to improve business and financial oversight and transparency; be more efficient in how the Department uses resources; strengthen controls to deter waste, fraud and abuse; and meet its cyber-security goals. Better information enables better decision-making.

Since the enactment of the National Defense Authorization Act for 2010, which required that the Department's full financial statements be ready for audit not later than September 30, 2017, the Department has made significant progress in achieving that goal. Six years ago, the Department was setting broad priorities, revising its strategy and methodology, and assessing its business processes. Today, over 90 percent of the Department's \$673 billion in current-year budgetary resources and 78 percent of total budgetary resources are under audit, and work to prepare the remaining statements has intensified. This is a great achievement given the magnitude and complexity of the Department.

LEADERSHIP COMMITMENT

Leaders across the Department are ensuring audit readiness remains a Department-wide priority. Secretary Carter and Deputy Secretary Work continue to emphasize the importance of improving DoD business and financial operations and achieving audit readiness. The Department has a credible plan in place, and leaders are closely monitoring progress.

In March 2016, a senior leadership committee co-chaired by the Deputy Secretary of Defense and the Vice Chairman of the Joint



Defense Secretary Ash Carter greets troops returning from a deployment to Djibouti while visiting Nellis Air Force Base, Nev., Feb. 4, 2016. Carter visited the base to tour facilities and discuss future budgets. (DoD photo by Navy Petty Officer 1st Class Tim D. Godbee)

Chiefs of Staff reviewed the status of audit readiness. Each Military Department reported it was on track to be ready for an audit by September 30, 2017. The Deputy Secretary stressed the importance of making and sustaining improvements.

Although significant progress has been made in recent years, DoD leaders are aware there is a long way to go before the Department achieves the same level of excellence in its business operations as it has in its mission operations. Initial audits are providing insight into how well functional managers follow DoD policies and procedures, assessing the effectiveness of controls, and spotlighting areas that still need more work. Senior leadership will continue to review the Department's audit readiness status to ensure audit remains a visible, Department-wide priority and progress remains on track.

STATUS AND VALUE OF ONGOING AUDITS

The Schedule of Budgetary Activity (SBA) audits require considerable resources and result in many findings. However, the Department is gleaning great benefits from the findings and is streamlining processes that will lead to greater efficiencies in the long-term.

Audits allow each Component to test its audit infrastructure and determine whether they have enough support in place to timely respond to auditor requests. The audit of the Army’s SBA, for example, triggered 17,500 formal auditor requests, requiring the Army to provide more than 26,000 documents. From the SBA audits, DoD personnel are learning how an audit really works and what they need to do to respond, and auditors are learning DoD’s systems and processes, which will save time and resources in the future.

Most importantly, audits spotlight areas that still need improvement, such as strengthening controls, improving systems, and simplifying procedures. The auditor reports from the Military Department SBA audits cited more than 700 combined findings and recommendations that reveal individual and systemic issues. The Department is acutely focused on completing corrective actions to address these findings while preparing remaining areas for audit. Working groups are addressing the most challenging policy issues, legacy systems are being sunset, and better systems deployed.

Current Audit Opinions

The U.S. Army Corps of Engineers (Civil Works) and several other Defense organizations (ODOs) received unmodified opinions on their fiscal year (FY) 2015 financial statements. One ODO received a modified opinion. These Components will continue to prepare and audit standalone financial statements.

Figure ES-1 lists the Components that have already achieved the goal of preparing auditable financial statements and received positive audit opinions on their FY 2015 financial statements and prior years.

Figure ES-1. Financial Statement Audit Opinions

FY 2015 Unmodified Audit Opinions
U. S. Army Corps of Engineers – Civil Works
Defense Commissary Agency
Defense Contract Audit Agency
Defense Finance and Accounting Service
Defense Health Agency – Contract Resource Management
Military Retirement Fund
FY 2015 Modified Audit Opinions
Medicare-Eligible Retiree Health Care Fund

Audits of the Military Services

In 2013, the Marine Corps became the first Military Service to achieve a clean audit opinion on its FY 2012 SBA. However, the DoD Office of the Inspector General (DoD OIG) rescinded that opinion in 2014 due to concerns with transactions in a Department of the Treasury holding account managed by the Defense Finance and Accounting Service (DFAS), called a suspense account. Suspense accounts are clearing accounts established by the Department of the Treasury to temporarily hold unidentifiable disbursements and collections until the Defense Department can properly classify the transaction. The DoD OIG recently completed an audit of the suspense accounts, and although the suspense accounts may be immaterial to DoD financial statements, the Department will continue to improve internal controls over them.

Auditors did not issue an opinion on the FY 2013 SBA Marine Corps audit, and a disclaimer was issued on the FY 2014 SBA audit. An audit of the Marine Corps’ FY 2015 SBA was stopped due to the performance of the independent public accounting (IPA) firm. An audit of the Marine Corps’ FY 2017 full financial statements will begin later this year.

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Following the SBA strategy established by the Marine Corps, auditors began an independent audit of each Military Department's General Fund SBA for FY 2015 appropriations. Each Military Department's FY 2015 audit resulted in a disclaimer, because information was not readily available and the auditors could not complete the audit. None of the Military Departments was expecting a clean opinion for this initial audit, but going under an SBA audit was an essential part of each Military Department's audit readiness strategy. Audits of each Military Department's FY 2016 SBA are now underway.

Other Defense Organizations Audits and Examinations

During FY 2015, most of the material ODOs were under either an SBA examination or mock audit. Lessons learned from these examinations and audits have been incorporated in corrective action

plans. Both the Defense Information Systems Agency (DISA) and the Defense Logistics Agency (DLA) have contracted with an IPA for a full financial statement audit. DISA's FY 2016 financial statements are currently under an IPA audit, and the IPA audit of DLA's FY 2017 financial statements is expected to begin in June 2016. The other material ODOs are continuing audit readiness work. The remaining ODOs, which together account for less than 1 percent of the Department's budgetary resources, are continuing audit readiness work and strengthening controls, and will be audited as part of the FY 2018 DoD Consolidated Financial Statements audit.

Figure ES-2 shows the General Funds under audit in FY 2016. Figure ES-3 shows the Working Capital Funds under audit in FY 2016 and projected to be under audit in FY 2017 and FY 2018.

Figure ES-2. General Funds Under Audit in FY 2016

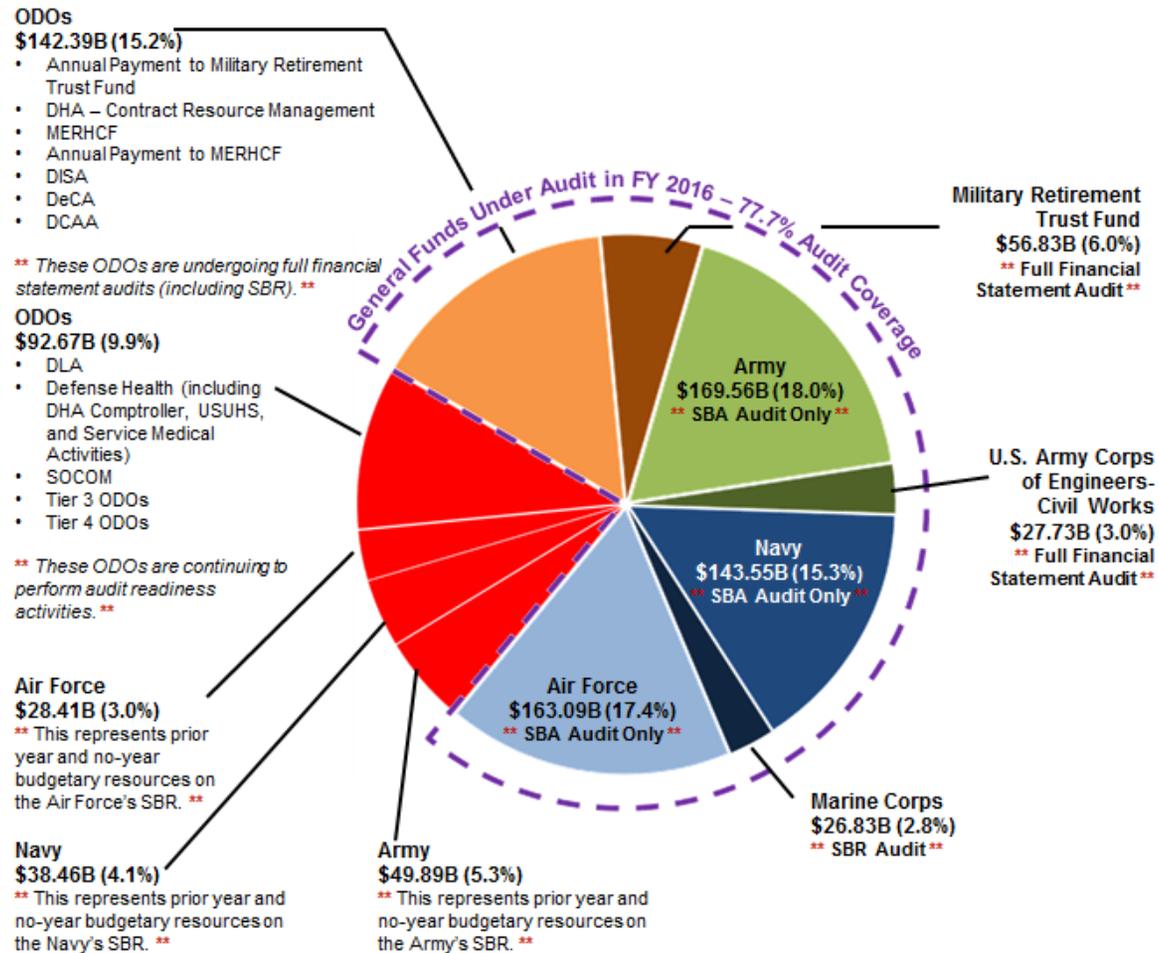
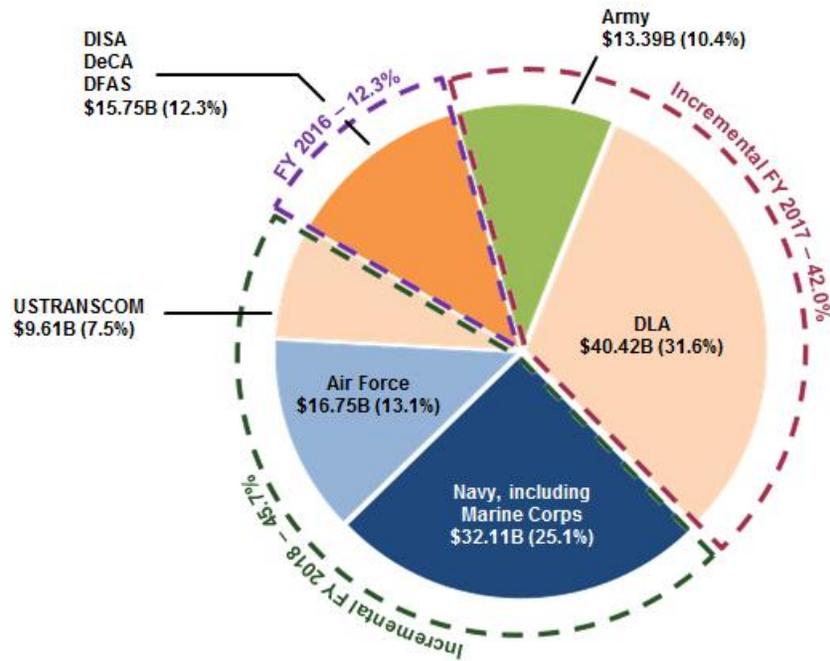


Figure ES-3. Working Capital Funds Under Audit in FY 2016, and Projected Under Audit in FY 2017 and FY 2018



PLANNING FOR FY 2018 AUDITS

The audit of DoD's FY 2018 Consolidated Financial Statements will likely be the largest audit ever undertaken. The Department will begin awarding FY 2018 audit contracts to IPA firms in early FY 2017. The auditors need to be in place so they can learn the Department's business environments prior to testing.

Additionally, standalone audits will be conducted for:

- Military Services
- Material Defense Agencies and funds
- Components and funds that already have financial statement audit opinions
- Defense Intelligence Agencies

The DoD OIG will oversee each of the audits.

WORK REMAINING

Many of the major impediments to auditability require the Department to improve its way of doing business. Long-standing business processes that have supported DoD missions are not always sufficient for an audit and must be transformed. Change is always hard for personnel, but changing a huge, global enterprise in a resource constrained, dynamic national security environment is truly a daunting task. Leaders across the Department are embracing a better and more efficient way of doing business.

Over the next 16 months, the Department must continue to address the problems highlighted by the initial audits and prepare its remaining assets, liabilities, revenues, and costs for audit.

Continue Corrective Actions

The initial, limited-scope audits of the Military Departments resulted in more than 700 combined auditor Notices of Findings and

Recommendations, or NFRs, related to business processes, controls, and systems. The large number and redundancy of problems across the Components suggest systemic issues. Through the corrective action process, policies will be updated and new procedures put in place. Work on corrective actions will continue as new audits begin in subsequent years and new NFRs issued. The nature of this annual audit regimen encourages the Components to address root causes and sustain improvements from year to year.

Achieve Critical Capabilities and Prepare Remaining Statements

The Department is taking a risk-based approach to preparing the remaining financial statements for audit. Areas posing a high risk to achieving full audit readiness, such as the ability to support journal vouchers and the existence, completeness, and valuation of assets reported on the Balance Sheet, have been designated as critical capabilities. For each critical capability, the Department established interim milestones and Department-wide dates by which those milestones must be resolved.

The FIAR Governance Board closely monitors progress toward critical capability milestones and is holding Components accountable for meeting completion dates. Summary status charts and detailed information on the critical capabilities, interim milestone completion dates, accomplishments, and challenges are presented in the respective Military Department and ODO sections of the report.

Universe of Transactions

Universe of transactions refers to the entirety of underlying, individual, accounting transactions that support a financial statement line or balance. The ability to provide the universe of transactions is critical. Accounting transactions that support a financial statement line or balance must reconcile to general ledgers and feeder systems. Preparing the universe of transactions also includes establishing a standard framework and process for the handling of classified and unclassified documents and data during audit.

Auditors found that the Department is often missing either the documentation to support the transaction or the documentation to support the authority for the transaction. For example, an auditor test of civilian pay could examine a sampling of new hire paperwork, timesheets, leave requests, annual performance reviews, and promotions. Each piece of documentation is checked for proper signatures and approvals, timeliness, and so on. Auditors look to confirm that policies and procedures are being followed and records maintained, not just whether the proper amount was paid. Civilian pay amounts to approximately \$57 billion per year and is just one example. Each day the Department completes hundreds of thousands of transactions—from purchasing lightbulbs to deploying troops worldwide. For each transaction, proper documentation must exist and be available to auditors.

Fund Balance with Treasury—Balancing the DoD Checkbook

Each month, DoD records must be reconciled to records held by the Department of the Treasury. The process is similar to a personal checking account balance that must be increased for deposits (appropriations and collections), decreased for expenditures, and then balanced to a bank statement. Due to the size of the DoD budget, the multitude of systems, and the enormous amount of funds expended and collected, the number of accounting transactions that must be reconciled between DoD accounts and the Treasury Department is very large and the task complex. Auditors found that the organization under audit often did not have a process to routinely balance these accounts and resolve discrepancies.

Journal Vouchers and Manual Adjustments

Journal vouchers are used to record a manual adjustment to an organization's books. One audit cited 20,000 journal vouchers in one month. Such corrections often lack supporting documentation to justify the adjustment. Additionally, too many journal vouchers may be an indicator of underlying problems, such as weak controls.

For an auditor, journal vouchers are a red-flag for transactions not being captured, reported, or summarized correctly. Auditors must

judge whether the errors that triggered the correction are isolated or systemic, leading them to select more transactions to test. If the auditors cannot estimate the magnitude of the errors, they may not be able to complete the audit or issue an opinion on the financial statements.

Existence, Completeness, and Rights and Obligations of Assets

In August 2009, the Department established achieving existence and completeness of mission-critical assets by June 30, 2016, as a priority. When FIAR existence and completeness activity is performed, rights and obligations are also validated because only those assets to which a Component has the rights and obligations are to be reported on the Component's financial statements.

The Department's extensive assets located worldwide make completing existence, completeness, and rights and obligations audit readiness challenging. Audit readiness ensures accurate information exists and is essential to establishing a baseline of existing assets that each Component must value for Balance Sheet reporting.

Valuation of Assets

The Department manages a huge inventory of assets, consisting of more than several hundred thousand facilities located at more than 5,000 different sites. Assets also include inventories of supplies, military equipment, and software. Completing an inventory of DoD assets has been Department-wide priority, but for some categories of property, it is still difficult to know with certainty that all assets have been inventoried and how much the Department paid for them. This is especially hard with historical assets, many of which were acquired long ago. Sometimes the original documentation just does not exist.

The Department has been working with the outside board that sets federal accounting standards to develop an alternative for establishing the value of an asset at the time it was acquired. The Federal Accounting Standards Advisory Board (FASAB) is allowing DoD to forgo the valuation of existing land and software. However, FASAB has been very clear that these alternative methods for

valuing assets are a one-time exception to the rule. Going forward, the Department must have the processes in place to manage and value its assets correctly.

Environmental and Disposal Liabilities

Difficulties arise when identifying the vast universe and completeness of environmental and disposal liabilities in an organization this large. Environmental liabilities are the probable future expenditure of resources as of the reporting date for environmental cleanup, closure, and disposal. The Department has thousands of installations and hundreds of thousands of equipment assets located worldwide that may become an environmental or disposal liability. Time is needed to implement processes, controls, and systems capable of producing auditable liability cost estimates. This process requires reconciling the liabilities to the assets recorded in the accountable property systems. In addition, each liability must be properly valued and the estimated value must be fully documented and available for auditor testing.

Information Technology (IT) Controls

The Department's IT systems environment includes a mix of legacy and modern systems. There are nearly 400 separate IT systems relevant to audit. Most of the business legacy systems were designed to support a particular function, such as property management. As a result, a single transaction may be put through several different systems as it moves through different functional areas. In addition to being inefficient, multiple entries dramatically increase the likelihood of human error. Further, auditors cannot trace dollars when transactions move from one system to another. Because systems were often not integrated when they were deployed, fixing problems requires a lot of manual workarounds, stretching resources even more thinly, and many of the legacy systems will still be in use when the Department begins full financial statement audits in FY 2018. Implementing integrated systems, along with making policy and procedure changes, must be consistently supported by management and will be a long-term evolving effort.

Reporting Sensitive Activities on Our Books

Sensitive and classified activities span the entire Department. All of the same financial information that the Department is preparing for audit in other areas must be reported and audited for sensitive activities. Auditors with appropriate clearance are being brought in, but providing sensitive documentation and accessing classified systems takes extra time. Components are preparing now for auditing sensitive activities, so they are ready when the auditors walk in the door.

DOD AUDIT READINESS RESOURCES

Substantial resources have been programmed to support achieving auditable financial statements. The Department will continue to refine resource requirements as remaining audit readiness activities are completed and audits continue.

The FIAR activities funded by the amounts in Figure ES-4 include:

Audit Readiness, Validations, and Audits

- Audit readiness management and oversight activities conducted by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)).
- Evaluation, discovery, and corrective actions of the Components and their service providers.
- Validation of audit readiness after Components complete corrective actions and prepare management assertions.
- Support for IPA audit readiness validations and financial statement audits, including tools and data repositories.
- Statements on Standards for Attestation Engagements (SSAE) No. 16, "Reporting on Controls at a Service Organization," examinations and financial statement audits conducted by IPAs.

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Financial Systems

- Design, development, and deployment of audit-ready compliant systems and changes to legacy systems that will be part of the systems environment.
- Data conversion and verification and controls testing.

Although the resource amounts in Figure ES-4 are relatively consistent from FY 2016 – FY 2020, the amount of resources for audit readiness activities, such as testing and strengthening of internal controls, are expected to decline in future years. Resources for conducting IPA financial statement audits as well as supporting those audits will likely increase for a few years after FY 2018 as work to correct findings increases. As the Department addresses

findings, sustains improvements, and begins to achieve opinions, audit costs should become more consistent and lower.

Because Enterprise Resource Planning (ERP) systems are being deployed to modernize functional as well as financial processes, ERP system deployment costs are not included in audit readiness resources. ERP costs are reported in Section VII, Enterprise Resource Planning Systems. Additionally, functional and financial processes are continually being improved for operational efficiencies and improving controls. The Department has not attempted to capture the costs of process changes made solely for audit readiness, and therefore, reported resources may not fully capture process improvement costs.

Figure ES-4. DoD Audit Readiness Resources (Dollars in Millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Audit Readiness, Validations, and Audits	418	520	583	596	587	583
Financial Systems	105	102	101	93	89	86
Total Resources	523	622	684	689	676	669

NEW FIAR REPORT LAYOUT

In past reports, audit readiness work was organized by financial statement then delineated by assessable unit. Completion dates were provided for important phases, such as discovery work and audit readiness assertion. Completion dates were also provided for deal-breakers, such as IT controls and journal vouchers. As audit readiness work is being completed, and the Department is concentrating on high-risk areas, the Department redesigned the layout of the FIAR Plan Status Report to better align with critical capabilities, audit findings, and work remaining.

The Military Department sections now each include an overview of material weaknesses and NFRs, and the corrective actions being taken. Assessable unit charts have been replaced with charts addressing the critical capabilities for the General Fund and Working

Capital Fund. The charts include interim milestones, completion dates, accomplishments, and challenges for each critical capability. Because implementing effective IT general and application-level controls is a critical capability, information on systems material to audit has been moved to each Military Department's section. More information is also provided on the status of testing and correcting IT controls.

The ODO section of the report has also been expanded, providing critical capability charts for the three material ODOs working audit readiness (Defense Health Program (DHP), U.S. Special Operations Command (USSOCOM), and U.S. Transportation Command (USTRANSCOM)) and their systems material to audit. Critical capability charts and information on systems material to audit have been consolidated for the remaining ODOs.

I. Enterprise-Wide Initiatives

The audit of the DoD full financial statements in FY 2018 will likely be the largest consolidated financial statement audit ever undertaken. Department leaders are committed to achieving full audit readiness and are prioritizing and correcting audit findings, and closely monitoring progress.

Many of the remaining audit readiness challenges cut across the Components and require DoD-wide changes to policies, procedures, and regulations. Such challenges include integrating service providers, addressing remaining issues critical to the Balance Sheet, and increasing the number of personnel qualified to help the Department achieve and sustain audit readiness. To address these challenges, the Department leads enterprise-wide initiatives that support audit readiness or improve overall financial management.

AUDIT READINESS INITIATIVES

Enterprise-wide audit readiness initiatives include:

- Audit Ready IT Systems Environment
- Service Provider Integration
- Fund Balance with Treasury and Cash Accountability
- Balance Sheet Working Groups
- Funds Distribution of Defense-wide Appropriations
- Transportation of Things
- Intragovernmental Transactions
- Accruals

Audit Ready IT Systems Environment

To achieve and sustain audit readiness, the Department must develop and maintain an audit-ready IT systems environment. The sheer number of business and financial systems is staggering when compared to other federal agencies, and the level of effort and cost of ensuring all systems are audit ready is significant.

For systems that materially affect the financial statements, the Department must evaluate and remediate controls. Systems material to audit readiness include ERPs, custom-built legacy systems, financial systems, and non-financial feeder systems. Figure I-1 shows the number of critical systems by financial statement.

Figure I-1. Number of Critical Systems by Financial Statement

Financial Statement	Number of Systems
General Fund Statement of Budgetary Resources	140
General Fund Balance Sheet and Other Financial Statements	119
Working Capital Fund Statement of Budgetary Resources	87
Working Capital Fund Balance Sheet and Other Financial Statements	76

Note: Many systems are used by both General Fund and Working Capital Fund activities; system numbers are not unique systems.

Systems also vary widely in technology and function. Financial systems include budget, accounting, and business feeder systems, such as personnel, logistics, and property systems, where many financial transactions originate. Although some systems are being replaced, many will still be in use after FY 2017, when the Department is required to produce auditable financial statements. While the Department continues to make progress in addressing IT system audit readiness, a number of challenges remain.

Dependency on Legacy Systems

Most legacy systems were originally designed to address operational or mission requirements. Additionally, many were built prior to the Federal Financial Management Improvement Act (FFMIA) of 1996 (Public Law 104-208), which requires financial systems to comply with the U.S. Standard General Ledger (USSGL) and Treasury Financial Manual. As a result, these systems were not designed to meet federal standards for financial systems. Data from these systems are not standard and, therefore, difficult to reconcile to financial statements. Systems also may not include automated internal controls available in more modern systems. The Department is working to expedite the retirement of legacy systems; however, many will still be in use when audits begin. For legacy systems still in use, the Department must strengthen automated controls or build compensating manual controls that meet audit requirements.

Dependency on Service Provider Systems

The Components rarely control business and associated financial transactions from the point of initiation to the point the transactions are reported on a financial statement. Nor do the Components own and operate all of the IT systems used to process their transactions. To process and record contract pay, for example, the Components depend on over a dozen systems owned and operated by service providers. This complex level of interdependency increases the difficulty of identifying the systems affecting audit readiness and defining critical roles and responsibilities.

The migration to more modern systems and integration of business processes, including ERPs, will ultimately yield a better control environment and many operational benefits. However, transitioning to these new systems while supporting audit readiness and audits is time consuming and difficult. The Department is making changes to legacy systems to support audit readiness and is deploying new systems over many years and at locations worldwide.

IT Systems Enterprise Initiatives

The Department and system owners are working hard to develop a sustainable audit ready systems environment and have:

- Required all Components to submit detailed information and milestones for material IT systems twice yearly to monitor and track audit readiness progress.
- Conducted a series of workshops to improve reporting entities' ability to use existing SSAE No. 16 examination reports and identify complimentary user entity controls for which they are responsible.
- Conducted working group meetings with service providers, reporting entities, audit firms, the Government Accounting Office (GAO), and the DoD OIG to discuss the status of SSAE No. 16 examinations and solicit feedback from users of the reports.
- Revised guidance to service providers for improving the content of the SSAE No. 16 examination reports based on auditor recommendations.
- Identified additional service provider processes and systems for which SSAE No. 16 examinations would support overall audit efficiency and worked with service providers to prioritize and accelerate delivery of the SSAE No. 16 examination reports.
- Developed supplemental guidance to the new system certification and accreditation process that defined supplemental activities required to concurrently address audit readiness requirements.
- Required all Components and service providers to undergo Standard Financial Information Structure – Compliance Assessments for accounting systems and service provider systems.

Service Provider Integration

A service provider is a DoD Component that performs a business function or process on behalf of another Component, such as accounting and finance operations by DFAS or real property construction by the U.S. Army Corps of Engineers. Ten DoD Components act as service providers. In order for service provider customers—other DoD Components—to become audit ready, a service provider’s audit readiness activities must be fully integrated with their customers’ audit readiness activities. The Department is working to ensure effective integration by:

- Issuing in February 2016 a service provider SSAE No. 16 examination policy memorandum requiring enhancements be made to improve the reliance and usefulness of SSAE No. 16s.
- Conducting tri-annual service provider working group meetings between service providers and their Component customers to identify audit relevant dependencies, clarify roles and responsibilities, and report audit readiness progress, deficiencies, and corrective actions. Representatives of the DoD OIG, GAO, and IPA firms provide perspective and lessons learned from financial statement audits and examinations.
- Requiring service provider senior representatives to attend FIAR Governance Board and FIAR Committee meetings, giving them the opportunity to participate in discussions on issues affecting them and their customers, and ensuring they are up to date on FIAR progress and plans.
- Tracking progress and reporting audit readiness plans, status, and challenges, including material IT systems relevant to audit readiness and status, in the semi-annual FIAR Plan Status Report.
- Requiring the directors of the four primary service providers to prepare and sign a message for inclusion in the FIAR Plan Status Report that states each director’s commitment to supporting their customers’ audit readiness goals.

- Requiring service providers to test material systems’ interfaces on transactions they perform for their DoD Component customers to determine whether service provider data are reaching customers accounting systems in the correct format.

Additionally, service providers that provide services to three or more Component customers must undergo an examination in accordance with SSAE No. 16, “Reporting on Controls at a Service Organization.” Results of the SSAE No. 16 examinations can then be used by Component customer financial statement auditors, improving Department-wide efficiency, and saving time and money. Because successful service provider SSAE No. 16 examinations are essential to a Component customers’ success, the Department is expanding service provider integration by:

- Convening meetings between service providers and Component customers, when business processes are complex or involve multiple service providers, to develop a thorough understanding of the service provider processes and agree on the scope of the SSAE No. 16 examinations. This has led to two new FY 2016 SSAE No. 16 examinations, Fund Balance with Treasury (Transaction Distribution) and Military Service-Owned Items in DLA Custody.
- Performing quality assurance reviews of service provider audit readiness deliverables and assertions prior to the start of an SSAE No. 16 examination. Vendor Pay SSAE No. 16 work products are currently under review for an FY 2017 SSAE No. 16 examination.
- Facilitating meetings where service providers identify and explain to Component customers the complimentary user entity controls expected to be included in the SSAE No. 16 examinations. The OUSD hosted eight SSAE No. 16 workshops around complimentary user entity controls and provided standard control attributes to help ODOs meet control objectives. Additionally, the OUSD(C) is performing quality assurance reviews on the controls identified by these entities.

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- Conducting IPA roundtable discussions to identify lessons learned from audits and examinations to improve audit readiness and make audits more efficient.
- Reviewing SSAE No. 16 examination reports to determine whether the examination scope was sufficient or additional SSAE No. 16 examinations are needed to have complete coverage of audit relevant business processes and systems. The reviews include feedback from auditors regarding potential gaps in coverage and additional information that would improve the usefulness of the SSAE No. 16 examination reports. Results include a DFAS Vendor Pay SSAE No. 16 examination planned for FY 2017.
- Obtaining findings and recommendations from SSAE No. 16 examinations with modified opinions and tracking service provider corrective actions and testing to ensure the findings and recommendations are remediated.

See Section VI, Service Providers Audit Readiness, for more detailed information on the audit readiness plans and status of the service providers.

Fund Balance with Treasury and Cash Accountability

The Department's audit success is closely linked to cash traceability, including proper management and accountability of all transactions affecting Fund Balance with Treasury. Unsupported journal vouchers and unresolved differences between the Defense Department and the Treasury Department are material and jeopardize achieving audit ready financial statements.

The Cash Accountability and Traceability Working Group endorsed a target end-state for cash accountability and reconciliations that delivers a single, auditable enterprise-wide Fund Balance with Treasury solution. The Defense Department's solution also aligns with Treasury Department's modernization initiatives. The standardized process was tested with select DoD accounts in

Quarters 3 and 4 of FY 2015. Results of those tests are being evaluated, and the process will be refined.

Extensive work to develop data standards is currently underway and, when implemented, will vastly improve data quality and auditability. Plans to implement a standard line of accounting validation earlier in the process are being developed.

Balance Sheet Working Groups

In FY 2015, the OUSD(C) formed five working groups to develop solutions to long-standing Balance Sheet issues, for example, the reporting of General Property, Plant, and Equipment. The working groups are jointly led by the OUSD(C) and process owners (OUSD(AT&L) and DoD Chief Information Officer (CIO)) and include subject matter experts from the Components. Experienced financial statement auditors participate in the working groups to ensure solutions comply with accounting standards and pass auditor testing.

The five working groups are:

- General Equipment Working Group
- Real Property Working Group
- Internal Use Software Working Group
- Inventory and Related Property Working Group
- Environmental and Disposal Liabilities Working Group

The goal of each working group is to identify audit readiness impediments and develop practical and generally accepted accounting principles (GAAP)-compliant solutions. Where policy changes are needed, the groups work quickly to make the change. Additionally, the Department has been working with FASAB to clarify or modify accounting standards.

Figure I-2 gives examples of impediments to audit readiness and accomplishments for each working group.

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Figure I-2. Balance Sheet Working Groups

Working Group	Impediment Examples	Working Group Accomplishment Examples
General Equipment	Valuation of Equipment. DoD lacked a valuation methodology to capture the full cost of equipment.	Developed a GAAP-compliant valuation methodology for allocating costs to capitalized equipment. The methodology was issued in an OUSD(C) policy memorandum in 03/2016.
	Construction in Progress Opening Balance. General Equipment (e.g., ships, aircraft) development and production costs were not recorded in Construction in Progress accounts and reported on the Balance Sheet.	Developed a method for establishing Construction in Progress opening balances, requiring identification of costs paid to vendors and subtracting an estimated value of the assets delivered using an approved deemed cost method. The method was issued in an OUSD(C) policy memorandum in 03/2016.
Real Property	Financial Reporting Responsibilities. Real Property assets were not properly reported on DoD Balance Sheets due to policy that was not GAAP compliant.	Considering GAAP-compliant options, audit risk, and operational perspectives, developed guidance establishing a simple two criteria test to determine financial reporting responsibility. The guidance was issued in an OUSD(C) policy memorandum in 09/2015.
	Valuation of Existing Real Property Assets. Due to the lack of historical cost supporting documentation, a significant amount of real property asset values could not be supported during an audit.	Based on discussions with FASAB, a methodology was developed using plant replacement values to establish and support real property opening balances. The methodology was issued in an OUSD(C) policy memorandum in 01/2016.
Internal Use Software	Definition and Other Terminology. Component Financial Management and CIO organizations interpreted the Internal Use Software accounting standard and DoD Financial Management Regulation definitions differently.	Clarified Internal Use Software definitions using terms familiar to the DoD IT environment, as well as providing answers to frequently asked questions. The clarified guidance was issued in an OUSD(C) memorandum in 09/2015.
	Outdated Guidance. The federal accounting standard for Internal Use Software was issued in 1998, and the software development and use environment changed significantly since that time, resulting in misinterpretation of the standards by the DoD IT community.	Supported a FASAB task force in developing FASAB Technical Release 16: "Implementation Guidance for Internal Use Software." Concurrently, the working group developed policy applying the FASAB implementation guidance. The policy memorandum was issued in an OUSD(C) memorandum in 09/2015.

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Working Group	Impediment Examples	Working Group Accomplishment Examples
Inventory and Related Property	Valuation of Existing Inventory and OM&S. Much of DoD Inventory and OM&S was acquired prior to the requirement to document and support historical cost, or the supporting documentation was not retained. Therefore, historical cost supporting documentation is mostly nonexistent.	Worked with FASAB to establish a new accounting standard allowing alternative valuation options. The group developed guidance for implementing the new standard, which allows the use of deemed cost estimates as a substitute for actual historical cost. An OUSD(C) policy memorandum was issued in 08/2015.
	Definition of End User for OM&S. Critical to compliance with the OM&S accounting standards is determining the end user, which has been interpreted differently across the Department.	Developed criteria to evaluate whether OM&S stored in locations, such as on ships or field units, can be expensed because it is in the possession of the end user, or must be valued and reported on the Balance Sheet. An OUSD(C) policy memorandum was issued in 09/2015.
Environmental and Disposal Liabilities	Support for Cost Models. Cost models are used to estimate the cost of environmental cleanup. A recent DLA audit identified the need for clarification on how cost models must be supported during an audit.	Reviewed DoD cost models and established procedures for validating and documenting cost data sources, table updates, and supporting documentation, as well as responsibilities for supporting the audit. A joint OUSD(AT&L) and OUSD(C) policy memorandum was issued in 09/2015.
	Completeness of Environmental and Disposal Liabilities. Environmental liabilities can exist outside installation fence lines or in locations where the Department has not operated in many years.	Developed several approaches for establishing a complete universe of environmental liabilities, such as reconciling to APSRs, fence-to-fence surveys, historical studies, and reconciling to other authoritative listings (e.g., EPA listings). A joint OUSD(AT&L) and OUSD(C) policy memorandum was issued in 09/2015.

Funds Distribution of Defense-Wide Appropriations

Auditors must be able to track the distribution of funds from Defense-wide appropriations to the final allotment holder. Accounting transactions from the time appropriations are received through final distribution must be identified and associated with each transaction. Such transactions could include accounting for continuing resolutions, transfers, or final rescissions.

The Enterprise Funds Distribution (EFD) system, Phase 2, will give the Department that ability by providing direct interfaces between EFD and Component accounting systems. EFD Phase 1 is already in use for congressional reporting and data calls. The OUSD(C) and DFAS are developing internal funds distribution guidance, and system testing has been completed. In anticipation of EFD Phase 2 implementation, the OUSD(C) defined the coding to be used for funds distribution and execution, and required systems to use a single set of data defined in the Standard Financial Information Structure (SFIS). SFIS status is described later in this section.

Transportation of Things

The Transportation Financial Auditability Working Group is standardizing the Department's freight and personal property processes and procedures through policy and guidance, systems integration, and training. The working group comprises transportation and financial managers from the Military Services, Joint Chiefs of Staff, U.S. Transportation Command, DLA, DFAS, and Defense Contract Management Agency.

The working group first established an obligation methodology and baseline for Components to use in developing and refining corrective action plans for the FY 2015 SBA audits. Now, its focus is on longer-term business process improvements, including standardizing internal controls to support and sustain auditability in the three major transportation business process areas:

- Third Party Payment System Freight

- Transportation Working Capital Fund Freight
- Household Goods and Non-Temporary Storage

A dedicated sub-working group was established for each business process area to review policy, process improvement, system integration, and billing and payment, and to identify best practices across the Department. For example, developing a means to source, retain, and retrieve supporting documentation to standardize proof of delivery for transportation of things by service providers is a priority.

The working group is making good progress. A direct result is the decision to migrate Components to a single system for shipping. Adoption of a single system for shipping helps standardize account code management, invoicing and bill payments, and supporting documentation, such as proof of delivery. By FY 2018, the Department also expects to have codified standardized third party payment system and freight business rules. The working group is developing solutions for the remaining transportation business process areas.

Intragovernmental Transactions

One of the Department's material weaknesses is the inability to properly account for, reconcile, and eliminate intragovernmental transactions and balances from the consolidated financial statements. Intragovernmental transactions result when business is conducted between two federal entities. Both entities must accurately record the event so the buying and selling documentation can be matched. Imbalances occur when the federal entities are unable to account for and reconcile differences. These differences in recording the buying and selling of goods and services from one another often lack proper documentation.

Challenges

The Department identified six intragovernmental transaction challenges:

- Proper documentation not available for audit

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- Buyer and seller transactions and accounting out of balance and not reconciled
- Proof of receipt and acceptance not always available
- Buyer and seller not in full agreement on terms and detail of transactions
- Status of interagency agreements not clear, including remaining period of performance, available funding, unfilled orders, and paid orders
- Volume of transactions across multiple systems

In FY 2013, DoD intragovernmental transactions imbalances with civilian agencies exceeded \$102 billion; in FY 2014, imbalances were \$98 billion; and in FY 2015, intragovernmental transactions imbalances were over \$100 billion. To manage DoD intragovernmental transactions buy and sell transactions, the Defense Department is partnering with the Treasury Department to implement the Treasury's Invoice Processing Platform (IPP).

Accomplishments and Progress

The Defense Department mandated the use of IPP in FY 2015 to broker and store the general terms and conditions for intragovernmental transactions and established a goal of 50 percent for new reimbursable work to be conducted using IPP. Although the Department did not meet the goal, an FY 2016 goal of 75 percent of reimbursable work was established for use of IPP and use of IPP is intensifying.

During FY 2015, the IPP project team continued to drive systems implementation and adoption across the Department focusing on strategy, data requirements, metrics, and change management. Targeted working groups were formed:

- Strategy and Policy Working Group – Developed a single, standard process for buying and selling that includes policies, guidance, and intragovernmental transactions controls.

- Data Requirements and Standards Working Group – Defined required system and data exchanges, standardizing data elements, and mapping business rules and data validations in the DoD Global Exchange. The Treasury Department is considering these standards for all federal intragovernmental adoption.
- Monitoring and Reporting Working Group – Reporting intragovernmental transactions program status, generating required financial reporting, and defining reports and metrics needed for audit.
- Change Management Working Group – Managing communication and training for new process and data standards.

In FY 2015, the Department developed standard intragovernmental data exchange maps to be used by DoD financial systems, creating a common intragovernmental financial transaction set. Additionally, the Defense Department worked with the Treasury Department and other federal agencies to create a government-wide data standard for intragovernmental transactions. The standard is expected to be published in FY 2016.

Accruals

The Department has a long standing challenge with recording accruals. Although some audit readiness work has been performed to remediate this weakness, considerable effort remains to remediate it by the statutory deadline. The accruals working group is developing common methodologies and best practices for potential Department-wide implementation. The working group analyzed the existing practices of the Military Services and ODOs and determined that biggest impediment to Contact Pay and Vendor Pay is the lack of adequate data to estimate accruals.

The working group is developing solutions to address the data gap in invoice processing, entitlement, and accounting systems. It is also defining a common methodology to estimate accruals for goods and services received during a specified time period where definitive, documentary evidence as to the actual liability is unavailable.

FINANCIAL IMPROVEMENT INITIATIVES

Enterprise-wide financial improvement initiatives include:

- Standard Financial Information Structure
- Cost Management
- Financial Management Certification Program

Standard Financial Information Structure

SFIS is the Department's common financial business language and standardizes data elements and business rules. SFIS also aligns the transaction posting logic used in DoD financial systems to the USSGL and Treasury Financial Manual. To facilitate reconciliations and achieve audit readiness, DoD systems must be brought into compliance with SFIS data elements, as well as with the DoD Standard Chart of Accounts (SCOA) and the DoD USSGL transaction library.

The Components are implementing a single, standard line of accounting (SLOA) accounting classification across all applicable transactions with their trading partners. In time, the use of SLOA will improve system interfaces and interoperability, and reduce the number of interfaces. For the remaining interfaces, the SLOA data exchange will improve controls and help financial managers and auditors trace business transactions across multiple systems. Systems owners may determine whether it is necessary to use a transaction broker, such as the Global Exchange, for efficient exchange of interface data.

In July 2014, the Department issued guidance for producing accurate and reliable Component trial balances. The guidance directs the Components and service providers to combine budgetary and proprietary general ledgers to a self-balancing trial balance and conduct validations (tie points) prior to reporting financial data. This guidance enforces the USSGL transaction posting logic, which is aligned to SCOA, by testing account relationships.

The Department developed a tie-points standard that aligns the SCOA to each of the tie-point equations. Conducting the tie-point validations will help prevent unsupported journal vouchers.

SFIS Compliance Assessment

Beginning in August 2014, the Joint Interoperability Test Command (JITC) began independent verifications of the Department's ERPs, accounting systems, and service-providers' main feeder systems. JITC's SFIS compliance assessments support FFMIA objectives that require systems compliance with the USSGL at the transaction-level, and the Federal Information System Controls Audit Manual (FISCAM) general application and interface controls. The JITC SFIS compliance assessments determine if the system complies with SFIS data element configuration; the chart of account aligns to DoD SCOA; the USSGL transaction posting logic aligns to the DoD USSGL Transaction Library; and the system's trial balance align to the DDRS trial balance. The compliance assessments also test tie-point equations and trading-partner interface interoperability to SFIS and SLOA standards. Results of JITC verification provides further insight into the audit readiness status of DoD systems and highlight areas that need additional remediation.

To date, JITC has tested five accounting systems and two service provider systems. Initial findings suggest systems generally comply with SCOA and transaction posting logic. However, SFIS data element configuration in the accounting systems, alignment of system trial balances to the DDRS trial balance, and interoperability with trading partner interface interoperability to SFIS and SLOA standards need improvement.

Cost Management

Cost management refers to the management of information used for budgeting, estimating, forecasting, and monitoring costs. The Department is developing a management accounting capability that will improve its ability to predict expenditures, execute budgets, and maximize resources. The ability to reduce and manage costs more strategically is critical.

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Formal business process and systems reviews are underway, and the Department is working to improve the access and fidelity of financial data and to deliver cost management tools and capabilities. Initiatives include developing a unifying framework for consistent management information, development and application of cost standards, and improved cost identification and reporting at the enterprise-level. Additionally, the Department is working to improve the accuracy and timeliness of cost information, increase cost visibility, and enable decision-makers to track costs across the full spectrum of DoD organizations and systems. As cost identification is improved, the Department is addressing weaknesses in the Statement of Net Costs to bridge federal financial reporting requirements and performance reporting requirements under the Government Performance and Results Modernization Act of 2010.

To achieve an enterprise-wide solution, the Department must integrate a common set of data standards for cost identification that expand on the existing standard financial information structure. Additionally, the Department must overcome technical challenges that make obtaining and managing very large volumes of data difficult. Open source data solutions are helping the Department to capture source business events, use financial and accounting data, and apply the necessary business logic to data pools in order to present not only raw data but useful and timely business information so decision-makers can make accurate cost comparisons. The Department previously developed a high-level cost management framework. Current Enterprise Cost Management development will apply the framework, incorporate work done at the Component-level, and revise standards for financial information and accounting line data. Specific business lines, product lines, and performing activities will be able to array cost information across the DoD enterprise.

Financial Management Certification Program

Attracting and retaining qualified personnel to help the Department achieve audit readiness and sustain an audit ready state has been an ongoing challenge. Contractors with specialized skills have helped fill in gaps in knowledge. Longer-term solutions, however, require

DoD personnel to have the skills needed to complete audit readiness work, and prepare for and support audits.

Established in 2013, the DoD Financial Management Certification Program is a course-based program designed to improve workforce analytic capabilities and the audit readiness of the Department. The Certification Program is mandatory for military and civilian personnel who perform financial management work and are assigned to financial management positions.

The certification program framework includes:

- Three levels of certification
- Position-based requirements
- Selected financial management competency and proficiency level requirements at each level
- Leadership competency requirements at each level
- Broadening at all levels, including entry level
- Required courses at each level (e.g., DoD Financial Management 101 course modules, Audit Readiness, Ethics and Fiscal Law)
- Required DoD and financial management experience
- Two years to achieve certification
- Once certified, required continuing education and training

The Department met its goal of implementing the certification program for civilian personnel and active duty Service members by September 30, 2014. The goal for the Guard and Reserves was accomplished six months ahead of schedule, on March 31, 2015.

With implementation complete, the certification program is now in sustainment. Certification status of the financial management workforce is being tracked and reported to DoD leadership, and oversight and quality control continues. As of February 2016, 19,249 financial management members achieved certification.

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In addition to certification, the Department continues to align courses to competencies and certification. Financial Management myLearn, the e-catalogue of all financial management and leadership training courses aligned to the program, contains over 2,800 courses to date. The catalogue enables financial management members to identify courses they may have taken in the past that fulfill their requirements, as well as assists them with identifying training to fulfill requirements. The Department also developed 73 web-based courses designed to assist members in meeting certification requirements. These courses are available at no cost to the DoD financial management workforce. These 73 courses have been completed successfully in over 280,000 instances, at a current rate exceeding 4,000 per week. Additionally, the Department continues to enhance the capabilities of the systems supporting the certification program. Enhancements include the integrated Learning History Worksheet, by which users can enter information that meets their individual certification requirements into an Excel worksheet. This information is transmitted into the FM Learning Management System, saving multiple steps for the user. The second is the academic search capability, which is an online search capability that identifies specific academic courses from certain colleges and

universities, which have been aligned by the Department. This capability provides users with current information on academic course alignments and avoids duplicate submissions for courses already aligned.

Finally, the certification program is also how the Department is achieving the congressionally-mandated DoD Strategic Workforce Plan, which requires the Department to continually develop and refresh required competencies, assess the workforce's capabilities, identify gaps, and close the gaps.

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Message from the Department of the Army Under Secretary and Chief Management Officer

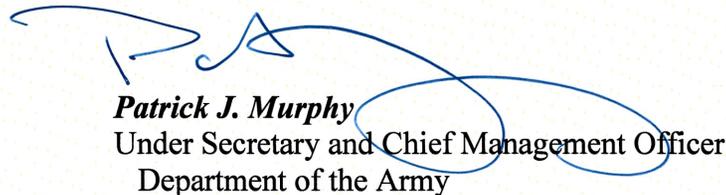
Audit readiness is a top priority for the Army. This commitment is demonstrated through continued progress toward meeting the September 30, 2017 deadline established by Congress to achieve fully auditable financial statements. For example, the Army completed its first Schedule of Budgetary Activity (SBA) audit by an independent public accountant. This was the largest external validation of Army financial activity to date with 100 percent of Army fiscal year (FY) 2015 appropriations under independent audit. It involved more than 18,000 formal auditor requests, reflecting its unprecedented scope and complexity. While the FY15 SBA audit resulted in a disclaimer of opinion, it produced findings and recommendations that are driving accountability as the Army strives for audit readiness. The Army is applying lessons learned as the FY16 SBA audit begins.



The Army continues to strive toward auditability by executing corrective actions to resolve auditor-identified deficiencies. These corrective actions are focused on improving deficiencies in business processes, systems, and data, and leadership is engaged across the Army to deliver sustained improvements to the Army's financial management environment. Army leadership continues to monitor the execution of corrective actions and is holding organizations accountable to achieve audit readiness by conducting biweekly synchronization calls with senior responsible officials as well as bimonthly leadership meetings (e.g., the Army Audit Committee).

Building on the SBA audit, the Army has developed detailed plans to accomplish Balance Sheet critical path milestone dates by establishing valuation methodologies, conducting training site visits, engaging key external stakeholders, and continuing rigorous monitoring of asset accountability.

The Army appreciates the support of Congress and will need their continued support to obtain the proper resources in personnel and funding to accomplish this crucial goal. Audit readiness is about more than just transforming the way the Army conducts its business, but will also instill a culture of accountability across the Army, one that will positively impact Army operations and enable us to more effectively support the warfighter in their critical mission.


Patrick J. Murphy
Under Secretary and Chief Management Officer
Department of the Army

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II. Army Audit Readiness

The Army continues to make progress toward the goal of auditable financial statements by September 30, 2017. In FY 2015, an IPA completed an audit of the Army General Fund SBA. The SBA audit was completed as a result of the dedication and hard work of leaders, soldiers, and civilians across the Army, who prepared for and supported the audit.

The General Fund SBA audit is the first in a series of SBA audits taking place from FY 2015 through FY 2017 as part of the Army's audit readiness strategy. The strategy focuses on identifying and correcting deficiencies and managing change to sustain improvements to the Army's business infrastructure.

At the conclusion of the IPA FY 2015 General Fund SBA audit, the IPA could not render an audit opinion and, instead, issued a disclaimer of opinion. However, the IPA noted the Army demonstrated a good understanding of what is expected in an audit and had developed a sound infrastructure to prepare for FY 2018 financial statements audit.

Progress Since the November 2015 FIAR Report

Other highlights of progress made since the last FIAR report include:

- The Army is using the SBA auditor's findings to develop and execute corrective actions, strengthen internal controls, develop standard processes, verify and retain readily available supporting documentation, improve systems compliance, and ensure service provider support.
- The Army increased the meeting frequency of existing forums to further hold senior leadership accountable for remediating deficiencies. For example, the Assistant Secretary of the Army (Financial Management and Comptroller) and Under Secretary of the Army increased the frequency of the Army Audit Committee meetings to



Soldiers advance to their next firing position during a squad live-fire exercise at Gaiziunai Training Area, Lithuania, Feb. 24, 2016. The soldiers are assigned to 3rd Squadron, 2nd Cavalry Regiment. (Army photo by Staff Sgt. Michael Behlin)

better monitor progress on corrective actions. The Army also established biweekly corrective action synchronization meetings to ensure responsible senior officials assigned to oversee and implement corrective actions are making progress.

- Using the results of DoD OIG examinations of Real Property completed in September 2015 and Operating Materials and Supplies completed in August 2015, the Army refined its Balance Sheet remediation work. In addition, strong partnerships between logistics and financial management communities have been developed to conduct asset valuation discovery and existence and completion activities, including monthly testing. The Army also developed a comprehensive valuation strategy to determine and record the full cost of assets reported on the Balance Sheet.

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- More than 25,000 soldiers and civilians have been trained in audit readiness principles and are engaged in audit readiness activities across many disciplines, including supply, logistics, financial management, and human resources.

Other accomplishments include improving the Army's audit support infrastructure, which responded to nearly 18,000 audit samples and requests. The Army was able to reduce the amount of time to provide population files from several months to three weeks for three of its key financial systems. The Army also was able to reconcile five general ledger systems to SBA transaction detail, as well as provide supporting documentation for more than \$100 billion in formerly unsupported journal entries.

In addition, the Army incorporated all appropriations into its Fund Balance with Treasury reconciliation process. Finally, the Army was able to improve its ability to respond to auditor requests by reducing the time needed and increasing the accuracy of its responses to Military Pay transactions. All of these successes derived from lessons learned from audit readiness mock audits. Lessons learned from the FY 2015 SBA audit are being applied as the Army begins the FY 2016 SBA audit.

Challenges to Audit Readiness by September 30, 2017

While the Army has made substantial progress toward audit readiness, significant challenges remain in meeting the September 30, 2017, audit readiness goal. Challenges include availability of personnel and resources, successful retirement of legacy systems, the need to improve the internal control environment, and the ability to timely provide supporting documentation to auditors. Additionally, improvements are needed for the Fund Balance with Treasury process, as well as the ability to reduce the number and dollar value of journal vouchers and adjustments. Additional challenges include:

- Standardizing business processes and IT controls.
- Reconciling universes of transactions to associated feeder systems timely and at the transaction level.
- Implementing Generally Accepted Accounting Principles (GAAP) compliant financial management practices to properly record business and accounting events and reconciliations.
- Implementing Triannual Reviews (Joint Reconciliation Program) to support Army open obligations balances.
- Establishing and implementing strong internal controls associated with physical inventories of assets.
- Valuing property, plant, and equipment.
- Providing complete and timely documentation from myriad stakeholders in support of each entitlement.
- Relying on service providers to provide timely responses to auditor samples and data requests.

General Fund Financial Statements

FY 2015 was an historic year for the Army. The General Fund SBA audit was the Army's first financial audit conducted by an IPA. The Army had previously completed three IPA mock audits on Statement of Budgetary Resources processes and systems; however, the scope of those audits was limited. The FY 2015 SBA audit included evaluating the presentation of current year budget activity in accordance with GAAP. The audit also evaluated the IT controls over the Army's general ledgers in various systems.

The Army's FY 2016 General Fund SBA is currently under audit. The scope of this audit includes all FY 2016

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appropriation activity, as well as FY 2015 appropriation transactions.

The FY 2015 SBA audit gave insight into business processes across the Army and highlighted business processes that need enhancing to ensure the Army is operating as effectively and efficiently as possible. The Army and its service providers are working to draft, develop, and implement corrective actions to improve the control environment and remediate deficiencies and material weaknesses. The SBA audit is a critical component and important step on the path to achieving audit readiness.

Figure II-1 identifies the dates corrective actions are planned to be completed and the start dates for the audit of the Army's full General Fund financial statements.

Figure II-1. Army General Fund Financial Statements

Financial Statements	Post-Validation Corrective Actions Complete	Audit Start
Statement of Budgetary Resources	09/2017	10/2017
Balance Sheet	09/2017	10/2017

STATEMENT OF BUDGETARY RESOURCES

The Army is continuing to work toward a full scope audit of the Statement of Budgetary Resources in FY 2018. Beginning balances and no-year funding present audit readiness challenges. The Army is working with its service providers to develop a strategy to address these challenges. Although the FY 2016 SBA audit is limited to FY 2015 beginning balances, the Army has been able to develop closing processes and

procedures that support the other financial statements, including the Balance Sheet, to meet the audit readiness milestones.

The Army is continuing to follow FIAR Guidance for Statement of Budgetary Resources audit readiness:

SBR – Appropriations Received (Wave 1)

Corrective actions were completed in FY 2010, and audit readiness validated by an IPA examination in FY 2011.

SBR – Schedule of Budgetary Activity (Wave 2)

In January 2016, an IPA issued the FY 2015 SBA audit report and started the FY 2016 SBA audit.

SBR – Open Obligations and Fund Balance with Treasury Reconciliation (Wave 2)

The Army is working to develop auditable open obligations in preparation for the Statement of Budgetary Resources audit. Preparations are also underway to enhance the Army's Fund Balance with Treasury reconciliation tool, which will be validated in Quarter 3 of FY 2016.

FY 2015 – SBA Audit

Under the oversight of the DoD OIG, an IPA conducted the Army's FY 2015 SBA audit. The IPA identified serious process and system deficiencies that must be fixed to achieve the goal of producing auditable financial statements by FY 2018. The Army is using this valuable feedback to conduct an enterprise-wide effort to eliminate these deficiencies through corrective actions that prevent reoccurrence and create long-lasting remediation.

SBA Notices of Findings and Recommendations

The Army received 290 NFRs from the IPA that included 170 NFRs related to IT systems and 120 NFRs relating to financial reporting and business processes. The Army anticipates well

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over 300 corrective action plans as NFRs had multiple conditions affecting more than one Army command or program. The magnitude of work to address the conditions is significant. The corrective action plans address areas critical to audit success, such as:

- Performing reconciliations for financial transactions between systems and verifying internal controls for transactions entered into systems.
- Timely providing documentation supporting the transactions tested.
- Implementing sufficient and effective IT controls to provide reliable financial data from ERPs and related feeder systems.

The Army's corrective action strategy includes prioritizing, tracking, monitoring, and reporting progress. NFRs are prioritized for corrective action plan development and implementation based on direction and criteria outlined in the FIAR guidance. The criteria include:

- Severity of deficiencies (material weakness or significant deficiency)
- Designation as a FIAR deal breaker
- Documentation gaps
- Pervasive deficiencies across business processes
- Sensitivity (i.e., failure of good stewardship of government resources)

The Army uses a database to track corrective action plan development and implementation. The database is designed to provide reports that show the status of corrective action plan development and implementation milestones. In addition, high-priority corrective actions are tracked through the use of scorecards. Scorecards track, by corrective action plan owner,

the status of the corrective actions, upcoming milestones, dependencies, and any issues or impediments to meeting the milestone. Scorecards also track the status of DFAS corrective actions.

Corrective actions are monitored using several different methods. In addition to Audit Readiness Directorate (DASA-FOA) review and approval, senior responsible officials review and approve the corrective action and are responsible for overseeing the steps required to implement the corrective action. Senior responsible officials also brief the status of high-priority corrective actions at biweekly synchronization meetings chaired by the DASA-FO and at bimonthly audit committee meetings. Briefings cover the status of corrective actions, resourcing, and implementation; and the dependencies, risks, and mitigation strategies.

Validation testing is planned and coordinated by DASA-FOA and communicated to senior responsible officials. A determination that a deficiency has been corrected will only be made when sufficient corrective actions have been taken and the desired results achieved.

Figure II-2 identifies seven of nine material weaknesses and NFRs, and the dates when the weaknesses and NFRs will be corrected. Two additional material weaknesses have been identified as critical capabilities and are included in Figure II-3.

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Figure II-2. Army Material Weaknesses and Notices of Findings and Recommendations (✓ = Completed)

Material Weaknesses	Corrective Actions	Completion
Financial Reporting/Completeness		
Internal control gaps to verify transactions entered into systems	Update guidance and refresher training (as needed) on the internal controls guiding the review documentation and resolution of error and variance reports.	12/2016
Incomplete balances due to ineffective cut-off and suspense transactions	Work with DFAS to update policies and procedures on cut-off and actions required to resolve suspense transactions.	12/2016
Evidential Matter		
Evidential support that was not readily available could not be linked to the transaction tested, and not appropriately reviewed.	Develop an approach to better link financial data to business processes to better drive IPA testing efforts. Develop model audit packages to clearly illustrate the documentation required. Reinforcing existing or developing new guidance on required supervisory review and documentation retention requirements.	01/2017
Service Provider Oversight		
Lack of policies and procedures to assess service providers that host/manage financial systems that support amounts on the Schedule	Update service provider agreements as well specific guidance needed to execute key internal control activities.	01/2017
Accrual Estimation Methodologies		
Lack of accrual estimation methodologies to verify Schedule balances are complete	Assess needed accruals for material transactions and update guidance outlining our estimation methodology.	01/2017
Financial Management Improvements		
Ineffective process to support documentation and meeting requests	Conduct lessons learned with IPA, add resources to manage the process, and implement a new audit support tool to help manage PBCs and sample requests.	01/2017
IT Systems		
Inadequate process for monitoring of separated and transferred individuals	Develop measures to remediate known gaps in the access control policies and procedure, and apply solution throughout the Army organizations and systems.	09/2017
Inadequate super user monitoring and management (i.e. elevated privilege users)	Review existing user accounts with access to super user privileges, assign minimum required level of access, and monitor on an ongoing basis the complete list of SAP-supplied super user profiles that must be restricted.	✓

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Material Weaknesses	Corrective Actions	Completion
Excessive privileges granted or managed within or amongst the systems	Identify and remove the sensitive user access from user roles in the system's production environment. Periodically monitor user accounts with access to execute sensitive transactions based on least privilege considerations.	✓
Inadequate segregation of duties management	Implement a process to prevent incompatible application access from being assigned within the system's application during the approval process. Periodically monitor user accounts with access to execute sensitive transactions based on least privilege considerations.	✓
Periodic review of all users' access privileges is not conducted or not conducted consistently	Develop and implement formal processes and procedures to reaffirm command level end-users within the system application environment.	✓
Audit logging procedures surrounding access and/or activity are not formalized or are not performed	Update procedures for the application frequency of review and description of events to be logged. Assign an independent individual to review the audit logs. Implement a mechanism to ensure that individuals whose activity is in the log will be prevented from being able to modify the log.	09/2016
Configuration change management processes and standards need improvement	Perform appropriate testing for all configuration changes and begin tracking release documentation by utilizing a unique identification number, as well as a documentation tracking system.	✓
Inadequate patch management processes	Formally maintain evidence to support that patches applied to systems' production operating systems and databases have been successfully tested, including a documented test plan outlining the steps required to be performed based on the type of patch and the corresponding results of these test steps.	✓

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FY 2016 – Schedule of Budgetary Activity Audit

The Army welcomed its SBA auditors in January 2016 with an entrance conference and discussed the plan for conducting site walkthroughs and testing. To support the IPA, the Army is implementing lessons learned identified during previous audits. The lessons learned provide valuable insight and clarity to focus FIAR activity. For example, the Army has reduced response time to within 10 days of auditor requests for transaction supporting documentation. This was accomplished by assigning responsibility for providing supporting documentation to specific commands and service providers.

The Army is also enhancing the timeliness of legacy general ledger transaction reconciliations to the financial statements. Additionally, the Army is making a significant investment of time and resources to:

- Accelerate the reconciliation of transaction populations to source systems
- Improve Fund Balance with Treasury variance resolution
- Reduce the number of and increase support for journal vouchers
- Strengthen financial system controls

Risks to a Successful SBA Audit

Risks to a successful SBA audit along with the steps the Army is taking to mitigate them include:

- The Army lacks complete or sufficient documentation to support financial statement balances. To mitigate this risk, the Army developed strong working relationships with its service providers and is training functional process owners on the types of needed supporting documentation. The Army is also implementing corrective action plans to better understand root causes and sharing best practices across the Army commands.

- The Army cannot adequately support or eliminate journal vouchers. To mitigate this risk, the Army and DFAS established a working group to identify and address both Army and DFAS journal voucher root causes.
- The Army implemented many corrective actions to address system deficiencies; however, challenges still exist within ERPs and legacy systems. Challenges include the ability of these systems to provide transaction-level detail to support auditor sample requests. The dollar amounts in the legacy systems will eventually be small in comparison to the Army's total budget, lessening the impact on future audits.

BALANCE SHEET

The Army continues to make progress in preparing an audit ready General Fund Balance Sheet and has a plan for each critical and noncritical asset and liability line items. Army will continue to remediate and sustain asset and liability line items including implementing a strategy for asset valuation. The Army has implemented internal control testing of Balance Sheet line items as part of ongoing discovery.

In FY 2015, the DoD OIG conducted examinations of mission-critical assets, Real Property, and Operating Materials and Supplies, and the Army is working to resolve auditor findings.

The Army is continuing to work with system administrators by performing monthly testing of real property transactions posted in accountable property systems of record to determine whether the transactions are recorded in the system accurately and timely, and that applicable documentation is available to support the transactions.

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Progress Since the November 2015 FIAR Report

Highlights of Army progress since the November 2015 FIAR Report include:

- Began valuation discovery for General Equipment and Real Property to assess business processes and determine the need for alternative valuation methodologies.
- Began discovery of Environmental and Disposal Liabilities including Formerly Used Defense Sites, Assembled Chemical Weapons Alternatives, and Chemical Material Agency.
- Continued monthly internal control testing of Balance Sheet business processes.
- Continued Balance Sheet remediation with external entities, such as USACE, DLA, and MEDCOM.

Challenges to Audit Readiness by September 30, 2017

While the Army has made progress toward audit readiness, challenges remain, such as:

- Identifying available documentation supporting the acquisition of Balance Sheet assets.
- Implementing alternative valuation approaches for a tremendous quantity of assets due to lack of acquisition documentation.
- Identifying and reporting transaction-level details to support Balance Sheet line items.

ARMY GENERAL FUND AUDIT READINESS CRITICAL CAPABILITIES

The Army is focused on high-risk areas and critical capabilities identified by the Department. The critical capabilities include:

- Universe of Transactions
- Fund Balance with Treasury
- Journal Vouchers
- Existence, Completeness, and Rights and Obligations of Assets
- Valuation of Assets
- Environmental and Disposal Liabilities
- IT Controls

In addition to the capabilities noted above, one of the most critical capabilities the Army is addressing are system enhancements that provide the capability to aggregate in a central repository numerous data sets maintained in feeder systems, ERPs, and legacy general ledger systems. A central repository will improve the availability of the data sets and provide the Army with the ability to perform advanced analytics. It will also increase the precision of accruals by allowing the Army to look across multiple periods and fiscal years.

Figure II-3 provides the Army General Fund completion dates for each critical capability. Following Figure II-3 are charts for each critical capability except IT Controls, containing the dates for achieving the capability, accomplishments, and challenges. Information on IT Controls and systems material to audit begins on page II-43.

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Figure II-3. Army General Fund Audit Readiness Critical Capabilities (✓ = Completed)

Army – General Fund		Completion	Validation*
Universe of Transactions	Statement of Budgetary Resources	SBA Audits (FY 2015 – FY 2017)	
	Balance Sheet	06/2016	12/2016
Fund Balance with Treasury**		12/2016	06/2017
Journal Vouchers**		03/2017	06/2017
Existence, Completeness, and Rights and Obligations of Assets	Real Property (including Construction in Progress)	09/2016	03/2017
	General Equipment (including Military Equipment)	06/2016	03/2017
	Internal Use Software	12/2016	03/2017
	Inventory and Related Property	06/2016	03/2017
Valuation of Assets	Real Property (including Construction in Progress)	09/2016	03/2017
	General Equipment (including Military Equipment)	03/2017	06/2017
	Internal Use Software	12/2016	03/2017
	Inventory and Related Property	12/2016	03/2017
Environmental Liabilities	DERP	06/2016	03/2017
	Non-DERP	06/2016	03/2017
IT Controls		06/2017	09/2017

* The Army will conduct internal reviews of audit readiness work products to validate corrective actions have been implemented and deficiencies remediated.

** Identified as a material weakness in FY 2015 SBA audit.

Universe of Transactions – Schedule of Budgetary Activity (General Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting systems.	✓

Accomplishments

- Produced populations for the FY 2015 SBA reconciled to each financial statement line.
- Developed a process that allows the Army to produce a population of sensitive activities that reconciles to the financial statement line items.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	06/2016
Interim Milestones	
Implement feeder systems reconciliations.	06/2016

Accomplishments

- Achieved ability to reconcile a number of high-risk feeder systems including DJMS, DCPS, and PBAS.
- Enhanced the data set in GFEBS to assist in readily identifying and aligning transaction to feeder systems and business processes.

Challenges

- Certain feeder systems were not designed with audit readiness in mind and as a result lack the capability to produce the necessary transactional data on a monthly or quarterly basis to reconcile to the accounting system.
- A majority of the feeder systems are decentralized and comprise multiple instances that will require numerous data sets to be generated, consolidated, and reconciled to one of the five general ledgers.
- Inability to identify and stratify the necessary feeder systems interfaced to the accounting systems during the FY 2015 SBA. The enhanced data sets noted in the second bullet under the accomplishments should address this challenge moving forward for FY 2016.

Universe of Transactions – Statement of Budgetary Resources (General Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting systems.	✓

Accomplishments

- Produced populations for the FY 2015 Statement of Budgetary Activity reconciled to each financial statement line.
- Produced a population for the FY 2016 Statement of Budgetary Activity including the incorporation of beginning balances.
- Worked with DFAS to gain an understanding of the closing logic to recalculate the beginning balances in FY2016.
- Developed a process that allows the Army to produce a population of sensitive activities which was also reconciled to the financial statement line items.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	06/2016
Interim Milestones	
Implement feeder systems reconciliations.	06/2016

Accomplishments

- Achieved ability to reconcile a number of high-risk feeder systems including DJMS, DCPS, PBAS.
- Enhanced the data set in GFEBS to assist in readily identifying and aligning transaction to feeder systems and business processes.

Challenges

- Certain feeder systems were not designed with audit readiness in mind and as a result lack the capability to produce the necessary transactional data on a monthly or quarterly basis to reconcile to the accounting system.
- A majority of the feeder systems are decentralized and comprise multiple instances that will require numerous data sets to be generated, consolidated, and reconciled to one of the five general ledgers.
- Inability to identify and stratify the necessary feeder systems interfaced to the accounting systems during the FY 2015 SBA. The enhanced data sets noted in the second bullet under the accomplishments should address this challenge moving forward for FY 2016.

Universe of Transactions – Balance Sheet (General Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	06/2016

Accomplishments

- Produced a population of general ledger account codes related to the Balance Sheet for GFEBS and GCCS-A.
- Worked with DFAS to gain an understanding of the closing logic.

Challenges

- Current tie point disconnect between proprietary and budgetary.
- Reliance on journal vouchers to adjust accounts without supporting details.
- Supporting beginning balances along with prior year and no-year funding.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	06/2016
Interim Milestones	
Implement feeder system reconciliations.	06/2016

Accomplishments

- Enhanced the data set in GFEBS to assist in readily identifying and aligning transaction to feeder systems and business processes.

Challenges

- Certain feeder systems were not designed with audit readiness in mind and as a result lack the capability to produce the necessary transactional data on a monthly or quarterly basis to reconcile to the accounting system.
- A majority of the feeder systems are decentralized comprise multiple instances which would require numerous data sets to be generated, consolidated, and reconciled to one of the five general ledgers.
- Inability to identify and stratify the necessary feeder systems interfaced to the accounting systems during the FY 2015 SBA. The enhanced data sets noted in the second bullet under the accomplishments should address this challenge moving forward for FY 2016.
- Obtaining access to data maintained outside of Army (e.g., Construction in Progress).

Fund Balance with Treasury (General Fund)

Critical Capability	Completion
A) Process and tools to identify, age, and resolve differences between the general ledgers (proprietary and budgetary) and Treasury (at voucher-level).	12/2016

Accomplishments

- Developed the Army Fund Balance with Treasury Tool, which identifies and ages differences between general ledgers and the Treasury Department. The tool has the ability to aggregate data from appropriations starting in FY 2013 and moving forward.
- Successfully matched the January 2016 overall Fund Balance with Treasury transaction-level detail (excluding variances aged less than 1-60 days) at a rate of 92.2 percent (based on volume) and 95.7 percent (based on dollars).

Challenges

- Resolving differences between the general ledgers and the Treasury Department in a timely manner due to the inability to easily identify and resolve the root causes driving the variances.
- The Army General Fund has a material weakness in this area.

Critical Capability	Completion
B) Process and tools to identify, age, and resolve transactions posted to budget clearing accounts within 60 days (suspense accounts).	12/2016
Interim Milestones	
DFAS identify root cause and remediation.	06/2016

Accomplishments

- Began working with DFAS to coordinate the development and implementation of a process to identify, age, and resolve transactions posted to budget clearing accounts within 60 days.
- Began incorporating budget clearing accounts into the Army Fund Balance with Treasury Tool to assist with the identification and aging.

Challenges

- Identifying transactions across five separate accounting systems can prove difficult to perform an overall aggregate identification, aging, and resolution of budget clearing accounts within 60 days.

Fund Balance with Treasury (General Fund)

Critical Capability	Completion
C) Process and tools to identify, age, and resolve transactions reported on Treasury's statements of differences within 30 days.	12/2016
Interim Milestones	
Incorporate transactions on statement of differences into reconciliation process.	06/2016

Accomplishments

- Began working with DFAS to coordinate the development and implementation of a process to identify, age, and resolve transactions reported on Treasury's statements differences within 30 days.
- Began developing corrective action plan based on NFRs identified in the FY 2015 SBA audit.

Challenges

- The number of DSSN's spread across the Army, DFAS-IN and DFAS-CL prove difficult to complete the identification, aging and resolution of transactions reported on the Treasury's statement of differences within 30 days.

Critical Capability	Completion
D) Perform aging analysis and apply reconciliations backwards to any years possible.	12/2016
Interim Milestones	
Perform reconciliation back to FY 2013.	06/2016

Accomplishments

- Successfully performed aging analysis based on FY 2014 CARS report. The analysis was performed over annual and multi-year appropriations from FY 2006 to FY 2014.

Challenges

- Inherent issues with performing an aging analysis over no-year appropriations and suspense accounts exist; however, Army's analysis suggests that these related amounts account for less than 1 percent of total authority, activities and ending balances within the General Fund.

Journal Vouchers (General Fund)

Critical Capability	Completion
Elimination Entries – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements related to intra-component and intra-departmental elimination entries.	03/2017
Interim Milestones	
Implement GFEBS Trading Partner Crosswalk Table TP2 attribute system change request.	09/2016
Engage with GFEBS partner systems to identify a single system of record which can centrally populate trading partner data.	12/2016

Accomplishments

- Developed short-term corrective action plan to revise the existing Trading Partner Crosswalk Table within GFEBS to ensure that the attribute is populated with accurate intragovernmental trading partner data.

Challenges

- Trading partner data is derived from multiple sources and partner systems including Army Enterprise System Integration Program (AESIP), Federal Logistics Information System (FLIS), Federal Logistics Information System Portfolio Data Warehouse (FPDW), System for Award Management (SAM), and Logistics Support Agency (LOGSA). Thus, the identification of a single system of record that can centrally populate trading partner data will require significant coordination and analysis.

Critical Capability	Completion
All Other Journal Vouchers – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements for all other journal vouchers.	03/2017
Interim Milestones	
Implement system change requests.	06/2016
Complete GFEBS posting logic validation and complete business process documentation.	09/2016
Implement corrective action plans.	12/2016
Support material journal vouchers and complete corrective action plans.	03/2017

Accomplishments

- Initiated phase-out of unsupportable ELECTRA adjustment process in favor of supportable DDRS Multiple Organization Line of Accounting journal voucher process.
- The Journal Voucher Working Group and Tie-Point Analysis Working Group identified the systemic root causes for several categories of journal voucher adjustments and recommended system changes within GFEBS, many of which have been implemented.
- A greater awareness of the need for adequate supporting documentation for journal vouchers has been instilled through training and enhanced guidance.

Challenges

- The system changes within GFEBS needed to address the issues that result in the creation of top-level journal vouchers are dependent on competing priorities.

Existence and Completeness – Real Property (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2016
Interim Milestones	
Conduct business process walkthrough with the USACE for Land, Lease, and Construction in Progress.	✓
Establish financial reporting responsibilities with DLA assets.	✓
Identify the universe of real property assets at ARCENT and other enduring sites.	✓

Accomplishments

- Initiated business process walk-throughs with the USACE to document the current business process for Land, Lease, and Construction in Progress.
- Continued to work with DLA to reconcile real property assets at installations; currently performing reconciliations of assets reported in the Army's accountable property system of record and working to unbundle fuel assets.
- Continued to work with ARCENT to identify universe of real property assets for reporting and to reconcile enduring asset listing.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2016
Interim Milestones	
Document and finalize process for reporting Land, Lease, and Construction in Progress with the USACE.	09/2016
Finalize process for capturing and reporting assets owned and operated by DLA.	09/2016
Record ARCENT assets in APSR.	09/2016

Accomplishments

- Identified and began reconciling the current universe of assets recorded in RFMIS (Land) and REMIS (Leases).
- Began reconciling against DoD listing of enduring sites.

Existence and Completeness – General Equipment (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	06/2016
Interim Milestones	
Complete upload of Program Executive Office-Owned assets into DPAS.	06/2016
Establish monthly testing process for remaining focus areas.	06/2016
Complete corrective action plans associated with discovery work for remaining focus areas.	06/2016

Accomplishments

- Inserted 3 of 11 Program Executive Offices into DPAS for accountability reporting and began monthly testing of existence and completeness and associated controls and supporting documentation.
- Executed discovery assessment activities for the MEDCOM audit readiness activities.

Challenges

- Remaining existence and completeness assertions for Government Furnished Property, assets held at DLA, MEDCOM, and DPAS assets require action from stakeholders within ASA(ALT) and G4.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	06/2016

Accomplishments

- ASA(ALT) and G4 developed a go-forward strategy to account for Government Furnished Property and have it reported to the Army accountable property systems of record.

Challenges

- Business process updates are required to account for Government Furnished Property from the contract through delivery to a vendor.
- Data validation for assets being loaded into DPAS could affect the ability to complete the existence and completeness assertion activities.

Existence and Completeness – Internal Use Software (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	12/2016
Interim Milestones	
Identify Internal Use Software universe.	06/2016
Initiate testing.	09/2016
Establish go-forward activity.	12/2016

Accomplishments

- Conducted a high-level Internal Use Software audit remediation strategy review with CIO/G-6 staff lead to seek concurrence on approach and identify potential changes in strategy.
- Supporting initial efforts with the CIO/G-6 community for existing assets and new acquisitions for individual licenses and enterprise licenses.

Challenges

- Ability to identify complete universe of application systems subject to Internal Use Software reporting based on information maintained in existing databases.
- Incomplete or insufficient recorded data in application systems
- Inability to identify and classify Internal Use Software from non-Internal Use Software licenses with existing business processes and business systems.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	12/2016
Interim Milestones	
Identify Internal Use Software universe.	06/2016
Initiate testing.	09/2016
Establish go-forward activity.	12/2016

Accomplishments

- Establishing formal request for authority to proceed with CIO/G-6 concurrent pilot program to modify contract structure for internal use software contracts sourced from Rock Island Contracting Command.

Challenges

- Identifying corrective action for deficiencies and weaknesses identified by insufficient internal controls for existence and completeness.

Existence and Completeness – Inventory and Related Property (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	06/2016
Interim Milestones	
Identify corrective actions based on monthly testing.	06/2016
Reconcile existence and completeness to financial statements.	06/2016
Complete corrective actions.	06/2016

Accomplishments

- Developed corrective action plans for AAA findings related to PM-owned assets.
- Completed quarterly reconciliations from the Operating Materials and Supplies asset posture to the financial statements.
- Developed a RIC/OP code policy for coordination through DAG4 implementation.

Challenges

- Policy updates for ownership codes need to be published and implemented at the field level.
- SSAE No. 16 on Army’s controls as Single Manager of Conventional Ammunition must be conducted to support audit readiness requirements.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	06/2016
Interim Milestones	
Identify corrective actions based on monthly testing.	06/2016
Complete corrective actions.	06/2016

Accomplishments

- Completed discovery on remaining focus areas, such as Material in Transit, OP-9, and Spares and Repair Parts, to determine next steps for audit readiness assertion.

Challenges

- Supporting documentation and controls may not be put into place in time to support all audit readiness activities.

Valuation – Real Property (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	09/2016
Interim Milestones	
Implement corrective action plans.	06/2016
Perform testing.	09/2016
Establish baseline.	09/2016

Accomplishments

- Initiated valuation discovery testing in Quarter3 of FY 2015, to determine the availability of historical cost documentation in order to determine the need and impact of using alternate valuation methodologies.
- Issued joint memorandum from OASA(FM&C) and OACSIM to the field on performing data element reconciliations of data elements affecting the plant replacement value calculation.
- Initiated Phase 2 of valuation testing to determine the availability of historical cost documentation for assets with placed-in-service dates from FY 2013 going forward.

Challenges

- Awaiting guidance from OSD surrounding useful life thresholds from real property assets.
- Awaiting final determination from FASAB surrounding establishing initial baseline values for Real Property including Land.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2016
Interim Milestones	
Implement corrective action plans.	06/2016
Perform testing.	09/2016
Document and establish go-forward process.	09/2016

Accomplishments

- Initiated business process walk-throughs with USACE to document the Construction in Progress business process.
- Reconciling against current transactions and project-level detail reported in CEFMS for Military Construction projects.

Challenges

- Obtaining available supporting documentation for Military construction projects.
- Ensuring system enhancements are performed to capture reporting and improvements to real property assets.

Valuation – General Equipment (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	03/2017
Interim Milestones	
Complete baseline valuation.	12/2016
Conduct internal assessment.	03/2017

Accomplishments

- Developed valuation guidance using alternative valuation methods to clean up the existing population of General Equipment assets.
- Conducted a pilot program with select Program Executive Offices to assess the alternative valuation procedures and develop training.

Challenges

- Primary stakeholders and their roles and responsibilities for updating asset values have not been fully defined.
- Complete asset listings must be obtained from each program to reconcile to the existing population of assets.
- Multiple systems changes and business process updates are required to account for the full cost of capital assets for the baseline.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	12/2016
Interim Milestones	
Implement full cost valuation for new acquisitions.	06/2016

Accomplishments

- Developed valuation guidance to address the go-forward strategy to value assets using alternative valuation approaches in compliance with accounting standards.

Challenges

- Accounting standards could change requiring transactional-based expenditures for all new acquisitions. This will not be in line with the existing Army valuation strategy.
- Systems and supporting business processes are not set up to support valuation of General Equipment in accordance with accounting standards.
- Acquisition policy and procedures, including contract writing, must be modified to identify capital costs of assets prior to asset construction and delivery.

Valuation – Internal Use Software (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	12/2016
Interim Milestones	
Identify Internal Use Software universe of systems to support existence and completeness.	06/2016

Accomplishments

- Supported review and public discussions surrounding DoD Implementation Guidance Request - Tab C1 to FASAB Board, dated December 4, 2014; Prospective application of SFFAS 10, by either:
 - (a) Exclude all Internal Use Software, inclusive of that under development at the opening balance date, from the opening balance.
 - (b) Exclude Internal Use Software in service from the opening balance but include amounts related to Internal Use Software under development at the opening balance date using an alternative valuation method.

Challenges

- Awaiting final approval from FASAB on DoD implementation guidance request.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	12/2016
Interim Milestones	
Establish process for go-forward activity.	12/2016

Accomplishments

- Conducted high-level Internal Use Software audit remediation strategy review with CIO/G-6 staff lead to seek concurrence on approach and identify potential changes in strategy.
- Establishing formal request for authority to proceed with CIO/G-6 concurrent pilot program to modify contract structure for Internal Use Software contracts sourced from Rock Island Contracting Command.

Challenges

- Identifying corrective action for deficiencies and weaknesses identified by insufficient internal controls for valuation.
- Identify mitigating controls and substantive procedures to support valuation assertions of implemented corrective actions.
- Ability to identify complete universe of application systems subject to Internal Use Software reporting based on information maintained in existing databases.
- Existing systems cannot provide information necessary for producing GAAP-based financial statements without use of an alternative valuation method.

Valuation – Inventory and Related Property (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	12/2016
Interim Milestones	
Establish an auditable baseline.	09/2016

Accomplishments

- Developed Operating Materials and Supplies alternative valuation strategy to clean up existing asset population.
- Rolled-Out valuation strategy to the PEO/PMO community.
- Established a metric to track the progress of asset valuation cleanup.

Challenges

- Primary stakeholders and their roles and responsibilities for updating asset values have not been fully defined.
- Policy for ownership of Operating Materials and Supplies must be completed and published through G4 and implemented at the field level.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	12/2016
Interim Milestones	
Establish a go-forward activity methodology.	09/2016
Implement full cost valuation.	09/2016

Accomplishments

- Developed Operating Materials and Supplies valuation strategy for future acquisitions in accordance with accounting standards.
- Implemented a training program to brief the PEO community on the valuation requirements and roles moving forward.

Challenges

- Asserting on all of Operating Materials and Supplies, including existence, completeness, rights and obligations, presentation and disclosure, and valuation.

Environmental and Disposal Liabilities (General Fund)

Critical Capability	Completion
A) Establish an auditable process for estimating (identifying and valuing) and recording environmental and disposal liabilities.	06/2016
Interim Milestones	
Perform testing.	06/2016
Implement corrective actions.	06/2016
Establish baseline.	06/2016

Accomplishments

- Performed testing of DERP and BRAC cost to complete estimated developed in FY 2015.
- Initiated business process walk-throughs for remaining programs including Formerly Used Defense Sites and Chemical Weapons Disposal Program.

Challenges

- Awaiting deployment of new system to track and manage the Army's environmental liabilities scheduled for deployment in Quarter 3 of FY 2016; in the meantime, existing legacy systems will continue be used.
- Awaiting final determination on the financial statement presentation of the following Army Note 14 line items: Formerly Used Defense Sites, Assembled Chemical Weapons Alternatives, Chemical Materials Agency.
- Capturing the cost of environmental liabilities associated with equipment.

Working Capital Fund Financial Statements

The Army Working Capital Fund is undergoing an IPA audit of elements of selected lines of the Working Capital Fund financial statements. The IPA audit complements Army’s audit readiness activities and validates completed corrective actions. The Army is continuing corrective actions in FY 2016 that are necessary for a full financial statement audit in FY 2017. Figure II-4 provides the dates the Army Working Capital Fund plans to complete validation of corrective actions and begin a full financial statement audit.

Figure II-4. Army Working Capital Fund Financial Statements

Financial Statements	Post-Validation Corrective Actions Complete	Audit Start
Statement of Budgetary Resources	09/2016	10/2017
Balance Sheet	09/2017	10/2017

Statement of Budgetary Resources

The Army Working Capital Fund is undergoing an audit of elements of the Statement of Budgetary Resources line items, including Creation or Modification of an Obligation, Delivered Orders – Obligations Paid, and Customer Orders Received. While the audit is being conducted, the Army is developing and implementing additional corrective actions needed to undergo a full Statement of Budgetary Resources audit. The Army is also continuing to perform quarterly internal control testing of business and financial processes.

FY 2016 – Working Capital Fund Audit of Selected Financial Statement Line Items

The Army Working Capital Fund is undergoing an audit of elements of selected lines of the Working Capital Fund financial statements, including elements of the Statement of Budgetary Resources. The scope of the audit is FY 2016 activity through March 31, 2016. The Army will continue corrective actions during the audit in FY 2016 to address audit identified deficiencies.

Balance Sheet

The Army Working Capital Fund is undergoing an audit of Balance Sheet line items at specific locations—Inventory, Real Property, and General Equipment. The Army will continue corrective actions during the audit in FY 2016 to address auditor-identified deficiencies.

Progress Since the November 2015 FIAR Report

Since the last FIAR report, the Army made progress in several areas:

- Counted, and ahead of schedule, all required materials based on the physical inventory count methodology developed for industrial operations activities.
- Made significant progress improving data elements used to identify the owner of materiel recorded in LMP.
- Implemented the Plant Replacement Value valuation methodology for Real Property at one location.

Challenges to Audit Readiness by September 30, 2017

While the Army has made progress toward audit readiness, challenges remain:

- Reconciliation of contract data between LMP and feeder systems (PADDS and SPS).

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- Reconciliations of Inventory balances between LMP and feeder systems (DSS and GCSS-A).
- Implementation of FIAR Guidance for the Real Property rights assertion.

ARMY WORKING CAPITAL FUND AUDIT READINESS CRITICAL CAPABILITIES

Army is focused on high-risk areas and critical capabilities identified by the Department. The critical capabilities include:

- Universe of Transactions
- Fund Balance with Treasury
- Journal Vouchers

- Open Obligations
- Existence, Completeness, and Rights and Obligations of Assets
- Valuation of Assets
- IT Controls

Figure II-5 provides the Army Working Capital Fund completion dates for each critical capability. Following Figure II-5 are charts for each critical capability, except IT Controls, containing the dates for achieving the capability, accomplishments, and challenges. Information on IT Controls and systems material to audit begins on page II-43.

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Figure II-5. Army Working Capital Fund Audit Readiness Critical Capabilities (✓ = Completed)

Army – Working Capital Fund		Completion	Validation
Universe of Transactions	Statement of Budgetary Resources	08/2016	09/2016
	Balance Sheet	06/2017	09/2017
Fund Balance with Treasury		12/2016	12/2016
Journal Vouchers		06/2017	09/2017
Existence, Completeness, and Rights and Obligations of Assets	Real Property (including Construction in Progress)	06/2016	09/2016
	General Equipment (including Military Equipment)	06/2016	09/2016
	Internal Use Software	06/2017	09/2017
	Inventory and Related Property	09/2017	09/2017
Valuation of Assets	Real Property (including Construction in Progress)	09/2016	03/2017
	General Equipment	09/2016	03/2017
	Internal Use Software	06/2017	09/2017
	Inventory and Related Property	09/2017	09/2017
Environmental Liabilities	DERP	N/A	N/A
	Non-DERP	N/A	N/A
IT Controls		06/2017	09/2017

Universe of Transactions – Statement of Budgetary Resources (Working Capital Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	08/2016
Interim Milestones	
Define data elements needed to be included in the universe of transactions for the Statement of Budgetary Resources.	✓
Obtain hardware and server space to store the population data.	06/2016
Export populations of transaction details to the server.	08/2016

Accomplishments

- Developed the detailed requirements for the populations of transaction details.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	08/2016
Interim Milestones	
Reconcile PADDS obligation data to LMP obligation data.	06/2016
Reconcile SPS obligation data to LMP obligation data.	06/2016

Accomplishments

- Coordinated to develop a common solution for the Army for all reconciliations with PADDS and SPS.

Challenges

- Lack of reporting capabilities in PADDS and SPS to obtain obligation data.

Universe of Transactions – Balance Sheet (Working Capital Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	06/2016
Interim Milestones	
Define data elements needed to be included in the universe of transactions for the Balance Sheet.	✓
Obtain hardware and server space to store the population data.	06/2016
Export populations of transaction details to the server.	06/2016

Accomplishments

- Developed the detailed requirements for the populations of transaction details.

Challenges

- Developing a plan to store and access large volumes of data needed for the population of transaction details.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	06/2017
Interim Milestones	
Improve reconciliations from GFEBs to LMP for real property.	06/2016
Improve reconciliations from WebDPAS to LMP for general equipment.	06/2016
Reconcile GCSS-Army, DSS, and contractor systems to LMP for inventory.	06/2017

Accomplishments

- Developed a long-term solution for reconciling GCSS-Army and LMP inventory data.
- Worked with the sites to improve reconciliations.

Challenges

- Manual reconciliations will be needed between GCSS-Army and LMP until the modernized long-term solution can be put in place.

Fund Balance with Treasury (Working Capital Fund)

Critical Capability	Completion
A) Process and tools to identify, age, and resolve differences between the general ledgers (proprietary and budgetary) and Treasury (at voucher-level).	09/2016
Interim Milestones	
Identify personnel to perform research and resolve differences identified by DRRT.	✓
Develop procedures to reconcile to data directly from Treasury.	06/2016
DFAS audit readiness assertion for the planned SSAE No. 16 for DRRT.	09/2016

Accomplishments

- DRRT was implemented in March 2015.

Challenges

- Research and resolution of differences identified by DRRT.
- Resolution of logic issues with the DRRT reports.
- Implementation of procedures to reconcile to data directly from the Treasury Department.

Critical Capability	Completion
B) Process and tools to identify, age, and resolve transactions posted to budget clearing accounts within 60 days (suspense accounts).	12/2016
Interim Milestones	
Identify root cause and perform remediation.	06/2016

Accomplishments

- Began working with DFAS to coordinate the development and implementation of a process to identify, age, and resolve transactions posted to budget clearing accounts.

Challenges

- Difficult to perform an overall aggregate identification, aging, and resolution of budget clearing accounts within 60 days.

Fund Balance with Treasury (Working Capital Fund)

Critical Capability	Completion
C) Process and tools to identify, age, and resolve transactions reported on Treasury's statements of differences within 30 days.	12/2016
Interim Milestones	
Incorporate transactions on statement of differences into reconciliation process.	06/2016

Accomplishments

- Began working with DFAS to coordinate the development and implementation of a process to identify, age, and resolve transactions reported on Treasury Department's statement of differences within 30 days.

Challenges

- The number of DSSNs makes it difficult to complete the identification, aging, and resolution of transactions reported on the Treasury Department's statement of differences within 30 days.

Critical Capability	Completion
D) Perform aging analysis and apply reconciliations backwards to any years possible.	12/2016
Interim Milestones	
Perform reconciliation for FY 2014 and earlier outside of DRRT.	06/2016

Accomplishments

- Identified FY 2015 differences using DRRT.

Challenges

- Performing the reconciliation for FY 2014 and earlier outside of DRRT.

Journal Vouchers (Working Capital Fund)

Critical Capability	Completion
Elimination Entries – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements related to intra-component and intra-departmental elimination entries.	06/2017

Accomplishments

- None

Challenges

- Trading partners do not use standard lines of accounting, so Army Working Capital Fund is unable to match buyer and seller balances such as accounts receivable to reciprocal accounts payable.
- Reciprocal buyer and seller systems are not real time.
- Centralized agreements and systems relative to reciprocal amounts and accounts do not exist. Required seller side adjustments cannot be validated, leading to internal control weaknesses and unsupportable adjustments.

Critical Capability	Completion
All Other Journal Vouchers – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements for all other journal vouchers.	09/2016
Interim Milestones	
Clean up the historical internal work performed transactions.	09/2016
Implement process to report internal work performed transactions to Treasury.	09/2016

Accomplishments

- Implemented new contract authority posting logic to balance between GLAC 4134 and GLAC 4131.
- Beginning budgetary balances for disbursements, collections, appropriations, cash transfers, contract authority and unobligated authority have been identified for the source system Army Working Capital Fund ERP and have been tested. Final adjustments and reconciliation to DDRS is scheduled before the end of FY 2016.

Challenges

- Budgetary and Proprietary adjustments continue until internal work performed transactions are reported to the Treasury Department.

Existence and Completeness – Real Property (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	06/2016
Interim Milestones	
Implement OUSD(C) policy related to the rights assertion.	06/2016
Develop and implement internal guidance on what constitutes a base asset for Real Property.	06/2016

Accomplishments

- Received positive results from the DoD OIG examination of the existence and completeness of Real Property.

Challenges

- Lack of OUSD(C) guidance on what constitutes a base asset.
- Coordination with the other Services to implement the OUSD(C) policy related to the rights assertion

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	06/2016
Interim Milestones	
Ensure controls over acceptance of assets are in place for new real property assets.	06/2016
Improve reconciliations between GFEBS and LMP.	06/2016
Ensure control over disposal of real property assets are in place.	06/2016

Accomplishments

- Performed quarterly testing of internal controls related to existence and completeness of real property.

Challenges

- Obtaining supporting documentation from service providers in a timely manner.

Existence and Completeness – General Equipment (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	06/2016
Interim Milestones	
Improve reconciliations between WebDPAS and LMP.	06/2016

Accomplishments

- Performed quarterly testing of General Equipment reconciliations.

Challenges

- Timely input of transactions.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	06/2016
Interim Milestones	
Ensure controls over acceptance of assets are in place for new general equipment assets.	06/2016
Ensure control over disposal of general equipment assets are in place.	06/2016

Accomplishments

- Performed quarterly testing of internal controls related to existence and completeness of General Equipment.

Challenges

- Timely input of transactions.

Existence and Completeness – Internal Use Software (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2016
Interim Milestones	
Identify Internal Use Software universe of systems to support existence and completeness.	07/2016

Accomplishments

- Supported review and public discussions surrounding DoD implementation guidance request to FASAB; Prospective application of SFFAS 10, by either:
 - (a) Exclude all Internal Use Software, inclusive of that under development at the opening balance date, from the opening balance.
 - (b) Exclude Internal Use Software in service from the opening balance but include amounts related to Internal Use Software under development at the opening balance date using an alternative valuation method.

Challenges

- Ability to identify complete universe of application systems subject to Internal Use Software reporting based on information maintained in existing databases.
- Incomplete or insufficient recorded data in application systems.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2017
Interim Milestones	
Review contracts to determine appropriate treatment for Internal Use Software (capital versus expense costs).	06/2016
Implement internal controls over the recording of Internal Use Software.	09/2017

Accomplishments

- Assessed the current Internal Use Software population.

Challenges

- Completeness of the application and software population.
- Commingled costs on contracts that have been procured without a mechanism to segregate the capital and expense costs.

Existence and Completeness – Inventory and Related Property (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2017
Interim Milestones	
Achieve physical count of 95% of inventory balance (by value) at industrial operations sites.	09/2016
Implement procedures to reconcile inventory held by contractors to LMP.	09/2017
Implement changes to GCSS-A to LMP interface to improve accuracy of on-hand balances.	09/2017

Accomplishments

- Implemented corrective actions to perform physical inventory counts at industrial operations depots.
- Performed data cleanup and developed monitoring controls for inventory rights.

Challenges

- Reconciliations between LMP and feeder systems (DSS, GCSS-A, and warehouse management systems).
- Validating existence and completeness for Inventory – Contractor Possessed.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2017
Interim Milestones	
Implement policy and continue performing monitoring procedures to ensure the owner of assets recorded in LMP is accurate.	09/2016
Monitor physical inventory procedures at the industrial operations sites to ensure all required counts are completed.	09/2016
Perform reconciliations between inventory APSRs and LMP.	09/2017

Accomplishments

- Drafted policy related to receipt of inventory to ensure appropriate ownership of assets is reported in LMP.

Challenges

- System changes are needed to allow for reconciliations between Inventory accountable property systems of records and LMP.

Valuation – Real Property (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	09/2016
Interim Milestones	
Clean-up data elements that will be used in the valuation methodology.	06/2016
Implement the Plant Replacement Value valuation methodology at all locations.	09/2016

Accomplishments

- Implemented the Plant Replacement Value valuation methodology at one location.

Challenges

- Auditor concerns about the Plant Replacement Value methodology.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2016
Interim Milestones	
Implement processes to maintain supporting documentation for all new real property assets.	09/2016
Implement internal controls to ensure that accurate values are recorded for all new real property assets.	09/2016

Accomplishments

- Performed quarterly testing of internal controls related to real property valuation.

Challenges

- Obtaining supporting documentation from service providers in a timely manner.

Valuation – General Equipment (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	09/2016
Interim Milestones	
Assess the results of the current audit of general equipment at one location.	06/2016
Implement corrective actions resulting from the audit.	09/2016

Accomplishments

- Undergoing an audit of the General Equipment balance at one location.

Challenges

- Supporting the valuation of assets procured as part of a large contract and individual asset costs are not provided from the vendor.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2016
Interim Milestones	
Continue testing supporting documentation for valuation of all new general equipment assets.	09/2016
Implement internal controls to ensure values are recorded for all new general equipment assets accurately and timely.	09/2016

Accomplishments

- Performed quarterly testing of internal controls related to General Equipment valuation.

Challenges

- Supporting the valuation of assets procured as part of a large contract and individual asset costs are not provided from the vendor.

Valuation – Internal Use Software (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	09/2016
Interim Milestones	
Identify Internal Use Software universe of systems to support existence and completeness.	07/2016

Accomplishments

- Supported review and public discussions surrounding DoD implementation guidance request to FASAB; Prospective application of SFFAS 10, by either:
 - (a) Exclude all Internal Use Software, inclusive of that under development at the opening balance date, from the opening balance.
 - (b) Exclude Internal Use Software in service from the opening balance but include amounts related to internal use software under development at the opening balance date using an alternative valuation method.

Challenges

- Awaiting final approval from FASAB on DoD implementation guidance request.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2017
Interim Milestones	
Review contracts to determine appropriate treatment for Internal Use Software (capital versus expense costs).	06/2016
Implement internal controls over the recording of Internal Use Software.	09/2017

Accomplishments

- Assessed the current Internal Use Software population.

Challenges

- Completeness of the application and software population.
- Commingled costs on contracts that have been procured without a mechanism to segregate the capital and expense costs.

Valuation – Inventory and Related Property (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	09/2017
Interim Milestones	
Develop inventory valuation monitoring control.	06/2016
Develop and implement corrective actions for root causes of inaccurate Moving Average Cost values within Army Working Capital Fund operations.	09/2017
Implement system-based process to recognize excess inventory at net realizable value.	09/2017

Accomplishments

- Identified primary root causes for Moving Average Cost valuation issues.

Challenges

- Excess inventory is not recognized as such at the time of identification.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2017
Interim Milestones	
Implement the inventory valuation monitoring control.	09/2016
Implement system controls to prevent manual entry of specific transactions that negatively affect Moving Average Cost values.	09/2017
If baseline for Moving Average Cost valuation is unable to be established due to lack of support for current Moving Average Cost values, implement SFFAS No. 48 for opening balance for inventory.	09/2017

Accomplishments

- Identified system changes necessary to prevent the manual entry of specific transaction that negatively affect Moving Average Cost values.

Challenges

- Service provider inputs have significant effects on Moving Average Cost calculations.

IT Systems Critical to Audit

During the FY 2015 SBA audit, the IPA performed IT general and application-level controls testing on select ERPs and feeder systems materially impacting financial statements. These systems include:

- ERPs: GFEBS, GCSS-Army, LMP
- Army Feeder Systems: FCM, SIDPERS, AFCOS, MUP, PADDs, SPS/PD2, ATAAPS, eMILPO, RLAS
- DFAS Feeder Systems: DCAS, DDS, IPAC, HQARS, ELECTRA, SOMARDS, STANFINS

There were significant challenges during the SBA audit, because most Army's systems were designed to serve a business need (e.g., procurement, property management, or logistics) and were not designed to support auditable financial statements. The Army is working to address the NFRs pertaining to systems and issuing guidance and training to better support the FY 2016 SBA audit.

Army IT system work includes analyzing NFR root causes, implementing corrective actions to prevent repetitive findings, and testing internal control in accordance with FISCAM. Control testing includes key interfaces and business processes. In addition, the Army is developing and delivering training to address knowledge gaps and establishing recurring meetings with various high-level system commands to enforce accountability, measure progress of corrective actions, and address challenges to audit readiness.

Status of Critical Systems

Achieving an audit ready systems environment requires extensive discovery, and coordination among stakeholders and user communities. Activities include identifying systemic vulnerabilities and control weaknesses with coordination from multiple Army stakeholder communities including the entity-wide CIO/G6 Command, testing controls over the IT systems environment,

performing corrective actions, and developing new system documentation, including policies and procedures.

Since completion of the FY 2015 SBA audit, the ERP program management offices have made progress remediating deficiencies and material weaknesses. Progress examples include the following:

- General Fund Enterprise Business System (GFEBS) – Develops, acquires, integrates, deploys, and sustains Army enterprise-wide financial and procurement management capabilities to support current and future missions. GFEBS is critical to the audit ready systems environment. In the FY 2015 SBA audit, the IPA issued 19 IT general controls NFRs; 4 were remediated and validated. The remaining NFRs will be corrected by Quarter 1 of FY 2017.
- Global Combat Support System – Army (GCSS-A) – Provides a critical data exchange of financial information for the Army and has a material impact on Army financial statements. During the FY 2015 SBA audit, the IPA issued 23 NFRs based on IT general controls testing; 7 have been remediated and validated.
- Army feeder systems pass along critical data to core Army ERP systems. There were 16 feeder systems in scope for the FY 2015 SBA audit. During the FY 2015 SBA audit, the IPA issued 93 NFRs based on IT general controls testing; 17 have been remediated. The majority of the remaining NFRs will be remediated by Quarter 1 of FY 2017.
- Logistics Modernization Program (LMP) – LMP provides critical data exchange of financial information and materially impacts Army financial statements. In the FY 2015 SBA audit, the auditor issued 29 NFRs, based on its IT general controls testing, of which seven are now remediated and validated.

IT Systems Status

An IT controls critical capabilities chart follows, providing dates for achieving the capability, accomplishments, and challenges. Figure II-6 presents more information on the status of material systems.

Information Technology

General Fund

Critical Capability	Completion
A) Implement critical information technology general and application controls for material, financially- relevant systems.	06/2017
Interim Milestones	
ERP and feeder systems to implement corrective actions related to IPA findings.	12/2016
FM&C to complete IT application and business process controls testing for ERPs and validate control areas.	03/2017
FM&C to implement corrective actions related to complementary user entity controls and test Army entity-level controls (IT general controls) in coordination with CIO/G6.	06/2017

Accomplishments

- Remediated a combined 24 out of 90 corrective actions (26 percent), for ERPs and feeder systems since the start of the FY 2015 SBA audit.
- Established recurring high-level meetings with participation from senior responsible officials across multiple, critical IT financial feeder systems to address challenges and communicate guidance to support remediation of IPA findings.

Challenges

- ERP management’s (GFEBS, GCSS-Army, LMP) ability to remediate NFRs due to resource constraints and timing of the FY 2016 SBA audit.
- Coordination related to the remediation of entity-wide control weaknesses that involve multiple stakeholders across Army.

Working Capital Fund

Critical Capability	Completion
A) Implement critical information technology general and application controls for material, financially- relevant systems.	06/2017
Interim Milestones	
Identify material, financially-relevant systems undergoing an SSAE No. 16 and assess the results.	06/2017
Perform testing and implement necessary corrective actions for systems that are not undergoing an SSAE No. 16.	06/2017
Remediate high-risk findings from the FY 2015 SBA audit.	06/2017

Accomplishments

- Completed testing of LMP and AESIP Hub.
- Developed corrective actions to remediate deficiencies identified in testing.

Challenges

- Limited resources to remediate IT general controls and application-level controls for high-risk findings from the FY 2015 SBA audit.

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Figure II-6. Systems Material to Army Audit Readiness (✓ = Completed)

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Army	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Statement of Budgetary Resources – Army Systems									
AFCOS	Military Pay	Army	Army	✓	07/2016	✓	07/2016	✓	07/2016
ATAAPS	Civilian Pay	DISA ¹	DISA	N/A	N/A	✓	✓	03/2017	09/2017
		Army ¹	Army	03/2017	09/2017	03/2017	09/2017	03/2017	09/2017
CEFMS	USACE Civil Works / Army Military Construction	Army	Army	✓	N/A	✓	✓	✓	✓
eMILPO	Military Pay	Army	Army	N/A	N/A	N/A	N/A	✓	09/2017
FCM ²	Contractual Services & Acquisition of Assets	Army	Army	N/A	N/A	✓	✓	✓	✓
GCSS-A	Supplies(MILSTRIP); Fund Balance with Treasury; Reimbursables; Appropriations Received; Other Budget Activity; Financial Reporting	Army	Army	03/2017	09/2017	03/2017	09/2017	03/2017	09/2017
GFEBs	All	Army	Army	✓	✓	✓	✓	✓	✓
JUSTIS	Military Pay	Army	Army	✓	09/2017	N/A	N/A	✓	09/2017
LMP	Contractual Services & Acquisition of Assets; Reimbursable Work Orders - Army; Army Working capital Fund – All Assessable Units	Army	Army	✓	✓	✓	✓	✓	✓
MyUnitPay	Military Pay	Army	Army	✓	10/2016	N/A	10/2016	✓	10/2016
PADDs	Contractual Services & Acquisition of Assets	Army	Army	N/A	N/A	✓	11/2016	✓	11/2016
SIDPERS	Military Pay	Army	Army	✓	10/2016	✓	10/2016	✓	10/2016
SPS ² /PD2	Contractual Services & Acquisition of Assets	Army	Army	N/A	N/A	✓	07/2016	✓	07/2016
RLAS	Military Pay	Army	Army	✓	03/2018	✓	03/2018	✓	03/2018
TAPDB-A	Military Pay	Army	Army	N/A	N/A	N/A	N/A	✓	09/2017
TAPDB-R	Military Pay	Army	Army	N/A	N/A	N/A	N/A	✓	09/2017
TAPDB-G	Military Pay	Army	Army	N/A	N/A	N/A	N/A	✓	09/2017

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Army	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Mission-Critical Assets Existence and Completeness – Army Systems									
APPMS	USAC Civil Works – Personal Property	Army	Army	✓	✓	✓	✓	✓	✓
GCSS-A	General Equipment; Inventory; Operating Materials and Supplies	Army	Army	✓	09/2017	✓	09/2017	✓	09/2017
GFEBs	Real Property	Army	Army	✓	✓	✓	✓	✓	✓
LMP	Inventory; Operating Materials and Supplies; Property, Plant and Equipment	Army	Army	✓	✓	✓	✓	✓	✓
PBUSE ²	Military Equipment/ General Equipment	Army	Army	N/A	N/A	N/A	N/A	N/A	N/A
PRIDE ²	Real Property	Army National Guard	Army National Guard	N/A	N/A	03/2017	09/2017	03/2017	09/2017
REMIS	Real Property – Land	Army	Army	✓	✓	✓	✓	✓	✓
SAAS-MOD	Operating Materials and Supplies	Army	Army	✓	✓	N/A	N/A	✓	✓
WARS-NT ²	Operating Materials and Supplies	Army	Army	03/2017	09/2017	03/2017	09/2017	03/2017	09/2017
Balance Sheet – Army Systems									
LMP	Army Working Capital Fund - All Assessable Units	Army	Army	✓	✓	✓	✓	✓	✓
GFEBs	All Assessable Units	Army	Army	✓	✓	✓	✓	✓	✓
Statement of Budgetary Resources – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Disbursing	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
ADS IPAC Wizard (new system environment)	Reimbursable Work Orders - Grantor; Reimbursable Work Orders - Acceptor; Fund Balance with Treasury; Disbursing; Financial Reporting; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	✓	✓
BAM (Insourcing)	Contract and Vendor Pay Improper Payments for: One Pay; CAPSW; IAPS; EBS & MOCAS	DFAS	DFAS	✓	✓	✓	✓	03/2017	09/2017
BEIS:DDRS-AFS	Financial Reporting	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
BEIS: DDRS-B	Financial Reporting; Military Pay	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Army	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
BEIS: DDRS-DCM	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
DAAS/GEX	Contractual Services & Acquisition of Assets; Military Pay	DLA	DLA	✓	✓	✓	✓	03/2017	09/2017
DCPDS	Civilian Pay	DCPAS	Army	✓	✓	03/2017	09/2017	03/2017	09/2017
DCPS	Civilian Pay	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
DJMS-AC/RC	Military Pay	DFAS	DISA	✓	✓	✓	✓	✓	09/2017
DMO ⁶ (Web)	Military Pay	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
DTS	Contractual Services & Acquisition of Assets; Transportation of People	DMDC	Commercial Vendor	✓	✓	✓	✓	✓	✓
EAS	Contractual Services & Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
EUD (APVM/PPVM)	Contractual Services & Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
iRAPT	Contractual Services & Acquisition of Assets	DLA	DISA	✓	✓	✓	✓	03/2017	09/2017
MOCAS	Contractual Services & Acquisition of Assets	DCMA	DISA	✓	✓	✓	✓	03/2017	09/2017
		DFAS		✓	✓	✓	✓	03/2017	09/2017
SCRT	Contractual Services and Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
Syncada ³	Contractual Services & Acquisition of Assets	Commercial Vendor	Commercial Vendor	03/2017	09/2017	03/2017	09/2017	03/2017	09/2017
Statement of Budgetary Resources – Service Provider Systems (Non-SSAE No. 16 Examinations)									
AcquiLine PR Web	Vendor Pay	Army	Army	03/2017	09/2017	03/2017	09/2017	03/2017	09/2017
AFT	Fund Balance with Treasury	DFAS	DFAS	✓	✓	✓	✓	03/2017	09/2017
AXOL	Contractual Services & Acquisition of Assets: Disbursing	Commercial Vendor	Commercial Vendor	03/2017	09/2017	03/2017	09/2017	03/2017	09/2017
BEIS: DCAS	Net Outlays - Net Outlays; Fund Balance with Treasury; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	12/2016
BSM-E / FAS ⁵	Contractual Services & Acquisition of Assets	DLA	DISA	N/A	N/A	✓	✓	03/2017	09/2017
CAPS-W	Accounts Payable	DFAS	DFAS	✓	✓	✓	✓	03/2017	09/2017

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Army	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
DDS	Contractual Services & Acquisition of Assets	DFAS	Army	✓	✓	✓	✓	✓	06/2016
	Disbursing; Military Pay; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	✓	06/2016
DRRT	Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	03/2017	09/2017
EFD	Funds Receipt and Distribution Management	DFAS	DoD CDC	✓	✓	✓	✓	03/2017	09/2017
GAFS - (DTS)	Transportation of People; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
HQARS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	06/2016
IATS	Transportation of People; Balance Sheet	DFAS	Army	✓	✓	03/2017	09/2017	03/2017	09/2017
		DFAS	DFAS	✓	✓	✓	✓	03/2017	09/2017
ODS	(ALL) Contractual Services & Acquisition of Assets; Civilian Pay; Financial Reporting; Fund Balance with Treasury; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
SOMARDS ⁴	Financial Reporting / Multiple; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	10/2017
STANFINS ⁴	Military Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	✓
Mission-Critical Assets Existence and Completeness – Service Provider Systems (SSAE No. 16 Examinations)									
DAAS/GEX	Inventory	DLA	DLA	✓	✓	✓	✓	03/2017	09/2017
DPAS	Existence and Completeness – Military / Other Equipment	AT&L	DISA	✓	✓	✓	✓	03/2017	09/2017
DSS	Inventory; Operating Materials and Supplies – Spares	DLA	DISA	✓	✓	✓	✓	03/2017	09/2017

Note: For Army-owned feeder systems, the IT general and application-level controls dates (tested and corrected) are associated auditor testing during the FY 2015 SBA audit.

¹ DFAS retains custody of the enterprise copy of the software and completes the associated certification and accreditation.

² To be subsumed by GCSS-A (SARSS – FY 2015; PBUSE, FCM – FY 2017).

³ The Syncada SSAE No. 16 Examination report is a Type 1 opinion (on the design of controls only and not tests of operating effectiveness).

⁴ To be subsumed by GFEBS (SOMARDS – FY 2015, STANFINS – FY2017).

⁵ To be subsumed by Enterprise Business System Energy Convergence.

⁶ Scheduled to convert to centralized DISA-hosted DMO solution from self-hosted instances in 2014.

ARMY AUDIT READINESS RESOURCES

Despite a challenging budget environment, substantial resources have been programmed to support achieving auditable financial statements. The FIAR activities funded by the amounts in Figure II-7 include:

Audit Readiness, Validations, and Audits

- Completing evaluation, discovery, and corrective actions of the commands and their service providers (e.g., DFAS).
- Testing or verifying audit readiness after completing corrective actions and preparing management assertions.
- Supporting audit infrastructure to sustain audit readiness and to support IPA audits, including tools and data repositories.

Financial Systems

- Designing, developing, and deploying audit-ready compliant systems as well as cost-effective changes to legacy systems that will be part of the systems environment.
- Converting and validating data, implementing and testing controls, and documenting systems and processes.

Because ERPs are being deployed to modernize functional as well as financial processes, ERP system deployment costs are not included in audit readiness resources. ERP costs are reported in Section VII, Enterprise Resource Planning Systems. Additionally, changes and improvements to functional and financial processes are continually being made for operational efficiencies and improving controls. The Department has not attempted to capture the costs of process changes made solely for audit readiness, and therefore, resources reported below may not fully capture process improvement costs.

Figure II-7. Army Audit Readiness Resources (Dollars in Millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Audit Readiness, Validations, and Audits	75	75	66	74	76	79
Financial Systems	8	6	6	4	4	2
Total Resources	83	81	72	78	80	81

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Message from the Department of the Navy Chief Management Officer

The Department of the Navy (DON) remains committed to full accountability for business and financial operations by preparing for and undergoing financial statement audits. The FY 2015 Schedule of Budgetary Activity (SBA) audit marked the first time the Department was required to demonstrate its compliance with accounting standards. The audit underscored the continued need to improve internal controls governing business processes and IT systems. The result of the audit – a disclaimer of opinion – resulted from deficiencies in these controls and also those over financial reporting.

Senior DON leaders and managers – as well as those employed by our service providers – are aggressively implementing corrective actions to address identified deficiencies. These remedies will make our business environment more compliant with standards of accountability. To ensure success, we will put in place effective, enduring solutions.

In FY 2016, we will continue as planned with audits for both Navy and Marine Corps, while simultaneously correcting prior-year audit deficiencies. In addition, DON will move toward a FY 2017 beginning balance audit for the Statement of Budgetary Resources and a full financial statement audit in FY 2018. To achieve these objectives, DON has adopted a two-prong strategy, consistent with guidance from DoD, focusing on establishing accurate beginning balances that are sustained through improved controls over business processes and IT systems.

As we move into 2016, DON is well-positioned to achieve positive results through our audit-related improvement efforts. I am confident that through continued hard work and determination by our leaders and managers, we will modernize our business processes, increase accountability and demonstrate sound stewardship over the resources entrusted to us.



A handwritten signature in black ink, appearing to read "Janine Davidson".

Janine A. Davidson
Under Secretary of the Navy

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III. Navy Audit Readiness

The Department of the Navy (DON) audit readiness plan consists of the individual plans of the Navy and the Marine Corps. This section begins with the progress and status of the Navy's plans followed by the plans of the Marine Corps.

The Navy completed its first IPA audit of its FY 2015 SBA. The SBA reports current-year budget execution, allowing for IPA testing of the Navy's audit support infrastructure, systems reliability, and process controls. The IPA issued a disclaimer of opinion but found the Navy to be well prepared and had a good understanding of what is expected in a financial audit. SBA audits will continue through FY 2017, expanding in scope until FY 2018, when the DON full financial statement audits will begin.

Being under audit, regardless of the opinion, allows the Navy to focus on improving business discipline and the quality of financial information. Continual IPA audits and auditor scrutiny provides valuable insight for further improvement and helps the Navy measure progress and improve efficiency. The Navy remains committed to the FY 2018 financial audit goals. As Secretary Carter has stated, the American taxpayer and our men and women in uniform deserve nothing less.

To support full financial statement audit readiness, the Navy is building beginning balances through aggressive assessments of Balance Sheet lines and the Statement of Budgetary Resources lines, as well as learning from SBA audit results. In January 2016, the Navy began its impartial verification and validation process, that is, testing to identify deficiencies and root causes so that it can implement corrective actions by September 2016 for material Balance Sheet and SBR lines.

The Navy's FY 2016 SBA audit will include FY 2015 appropriation activity in FY 2016 and ending balances for FY 2015 appropriations. The FY 2016 SBA audit will also include FY 2016 appropriation transaction activity. Marine Corps transactions will be excluded from

testing. A separate process will be used to test the Navy Systems Management Activity transactions because of their classified nature.

General Fund Financial Statements

As part of its full audit readiness strategy, the Navy is building beginning balances to support audit readiness of the General Fund financial statements. Through assessments of Balance Sheet lines and Statement of Budgetary Resources lines, as well as the learning from SBA audit results, the Navy is conducting full General Fund financial statement assessments. In January 2016, the Navy began testing to identify deficiencies and root causes so that it can implement corrective actions by September 2016 for material Balance Sheet and Statement of Budgetary Resources lines.



The aircraft carrier USS John C. Stennis sails through the Philippine Sea, Feb. 22, 2016. (U.S. Navy photo by Seaman Cole C. Pielop)

FIAR Plan Status Report

Figure III-1 provides a summary of the Navy's audit readiness plans for the General Fund financial statements. The remainder of this section provides detailed information on the Navy's audit readiness plans.

Figure III-1. Navy General Fund Financial Statements

Financial Statements	Post-Validation Corrective Actions Complete	Audit Start
Statement of Budgetary Resources	09/2017	10/2017
Balance Sheet	09/2017	10/2017

STATEMENT OF BUDGETARY RESOURCES

The DoD OIG served as the Contracting Officer Representative and oversaw the IPA audit of the Navy FY 2015 SBA. The SBA included the Navy's FY 2015 appropriations received and associated budget activity. During the audit, the IPA tested the Navy's audit support infrastructure, systems reliability, and process controls. First year audits, particularly audits of entities as large and complex as the Navy, often do not result in unmodified opinions. The outcome and results of the Navy FY 2015 SBA audit were similar to the results of first year audits of the other federal agencies. The auditors issued a disclaimer of opinion but found the Navy to be well prepared with a good understanding of what is expected in a financial statement audit. The SBA audits will continue through FY 2017, expanding in scope until FY 2018, when the DON financial audits will begin.

Being under audit, regardless of the audit opinion, allows the Navy to focus on improving business discipline and the quality of financial information. Consistent audit scrutiny will provide valuable insight

for further improvement, and will help the Navy measure progress and improve efficiency.

FY 2015 SBA Audit

The audit of the FY 2015 SBA resulted in a disclaimer of opinion. The disclaimer was based on the IPA's assessment that the overall risk of material misstatement in the SBA was high. The IPA's assessment was based, in part, on pervasive and significant deficiencies in IT system controls and deficiencies in internal controls over the completeness of the transaction universe. These assessments precluded the auditors from relying on IT controls, obtaining sufficient evidence to reasonably conclude on the completeness of the transaction universe, and determining whether certain transactions were properly authorized and accurately recorded.

SBA Notices of Findings and Recommendations

The Navy received 220 NFRs across its business processes and IT systems environment. The Office of Financial Operations (FMO) developed and implemented a process to review the NFRs and designate an Office of Primary Responsibility (OPR) to lead remediation efforts of each finding. OPRs drive accountability and urgency to ensure effective corrective actions are implemented through policy, process, and system corrective actions. In addition, the Navy worked with OUSD(C) to help identify DoD-wide issues that affect other Military Departments and, therefore, require a centralized solution.

The Navy implemented a risk-based prioritization methodology to balance remediation of the NFRs with the actions needed for full financial statement auditability. The prioritization methodology is driven by quantitative and qualitative factors, including materiality, analysis of critical path areas, evaluation of compensating controls, and audit deal-breaker assessments in accordance with FIAR Guidance.

FIAR Plan Status Report

Figure III-2 identifies high-priority NFRs that have resulted in material weaknesses for Navy business processes and IT systems. The Navy is aggressively implementing corrective actions to address the root cause of the deficiencies and improve Navy’s financial management processes.

The Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN(FM&C)) and the director of Navy staff are closely monitoring the status of corrective actions and have

established regular reporting requirements with OPRs. Navy leadership is fully engaged in ensuring the OPRs have the expertise, resources, and support necessary to eliminate roadblocks to financial statement auditability.

Figure III-2. Navy Material Weaknesses and Notices of Findings and Recommendation (✓ = Completed)

Material Weaknesses	Corrective Actions	Completion
Financial Reporting: Ineffective Controls over Financial Reporting		
Controls to ensure the completeness and accuracy of the Navy’s transactions and account balances in the GLAS are not in place or are not operating effectively.	Navy FMO developed and disseminated guidance to establish ownership of system reconciliations for financial data flowing to the Navy’s GLAS. In addition, there is a centrally managed validation process supported by policy and standard operating procedures to review system reconciliations and evaluate the completeness of data elements being reported.	12/2016
Controls over the preparation of the SBA and the supporting transactional detail, including the Navy’s controls over its service provider, are not effective.	Navy FMO data and accounting/reporting teams have developed and drafted detailed SBA and single point transaction universe process documents (e.g., standard operating procedures, checklists, workflows) to guide and govern the preparation, review, and approval of the SBA produced from the single point transaction universe. Navy FMO will finalize process documents, finalize and implement internal control procedures, and establish internal roles and responsibilities documents to support DFAS and Navy FMO team activities.	06/2016
Controls over journal vouchers need improvement.	Navy FMO established a monthly journal voucher log review and reporting process that supports quarterly Command-level quality and compliance review procedures and FMO independent verification reviews. Navy FMO drafted test procedures, workbooks, and training materials to support these activities, which will be socialized with stakeholders and finalized. Once implemented, the independent verification review will transition to a sustainment testing team.	08/2016

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Material Weaknesses	Corrective Actions	Completion
	<p>During the FY 2016 walkthrough, DFAS will review journal vouchers with the IPA to discuss specific issues pertaining to previously tested journal voucher posting logic, journal voucher package documentation, and transactional support. In addition, DFAS will discuss with the IPA the journal voucher approval process and the relation between the USMC journal vouchers to the Navy SBA and the undistributed calculation process.</p> <p>Workgroups are researching unsupported journal vouchers from the SSAE No. 16 examination to identify root causes and long-term solutions. Training will be provided to journal voucher preparers to emphasize how the journal voucher package needs to follow what is being documented within the whitepaper or how it needs to be documented when deviation occurs.</p>	
<p>Controls over Fund Balance with Treasury reporting and reconciliations, including the Navy’s related controls over its third-party service provider, need improvement.</p>	<p>Navy FMO and DFAS defined roles and responsibilities and are implementing a process for the monthly Fund Balance with Treasury reconciliation of field-level GLAS activity, account balances, and account amounts reported to the Treasury. Policies and procedures will include steps to ensure relationships between budgetary and proprietary outlays and collections are appropriate, documented, and differences are timely resolved. In addition, Navy FMO implemented oversight processes to support the timely review and approval of Fund Balance with Treasury reports and reconciliations from DFAS.</p>	<p>06/2016</p>
<p>Financial Reporting: Ineffective Transactional Controls</p>		
<p>Lack of documentation to substantiate the existence of obligations and recording of obligations prior to the approval of the obligating document or at incorrect amounts.</p>	<p>Commands are being directed to follow requirements for documenting activities and improving processes and policies. In addition, DON is coordinating with stakeholders (e.g., workshops, site visits) to review and analyze existing DON policies and assess whether revisions are needed. Policies will be revised, as needed, and published across DON. This includes a combination of monitoring, spot checks, site visits, and reconciliations.</p> <p>The Navy will restrict Command travel spending until it has been affirmed they have a central repository of travel documentation. The central repository will also be automated in order to reduce the possibility of human error.</p>	<p>06/2016</p>

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Material Weaknesses	Corrective Actions	Completion
<p>Lack of proper approval or evidence that the approver possessed proper authorization for collections and outlays related to civilian payroll, travel, and other non-payroll delivered orders.</p>	<p>Commands are being directed to follow approval requirements and improve their processes, where needed. Actions include retaining appropriate financial documents, establishing standardized document retrieval processes, ensuring proper forms are created and maintained for all relevant approvers, and self-testing. Spot-check testing will be done at Command locations. Additional actions include assessing whether policies sufficiently address audit requirements, and developing training and standard operating procedures to clarify the policies.</p>	<p>06/2016</p>
<p>Improperly recorded budgetary transactions, including those related to expenditure transfers, cost reclassifications, outlays, and advance payments.</p>	<p>Commands are being directed to follow requirements for documenting activities and improving processes and policies, where needed. In addition, there will be coordination with stakeholders (e.g., workshops, site visits) to review and analyze existing DON policies to assess whether revisions are needed to meet audit requirements. Policies will be revised, as needed, and published across DON. This includes a combination of monitoring, spot checks, site visits, and reconciliations.</p> <p>Navy FMO will work with the Navy ERP PMO to identify changes needed to facilitate recording of budgetary transactions in accordance with GAAP and USSGL guidelines. Navy FMO will also collaborate with BSOs and FMP to develop policies, procedures, and processes to support post-entry validation, develop and provide training, and track corrective actions to closure.</p> <p>DON will restrict Command travel spending until it has been affirmed they have a central repository of all travel documentation. Once affirmed, the restriction will be lifted. The central repository will also be automated to reduce the possibility of human error.</p> <p>DON will develop and submit system change requests for system notifications regarding voucher submission and approval to curtail late voucher submissions.</p> <p>DON will discontinue business processes of providing advance payments, and implement a weekly payment process based upon services delivered in order to be in accordance with USSGL guidelines.</p>	<p>09/2016</p>

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Material Weaknesses	Corrective Actions	Completion
Lack of proper recording for certain transactions in a timely manner or in the proper period.	Commands are being directed to follow requirements for timely documenting and improving processes, where needed. In addition, there will be coordination with stakeholders (e.g., workshops, site visits) to review and analyze existing DON policies to assess whether revisions are needed to meet audit requirements. Policies will be revised, as needed, and published across DON. This includes a combination of monitoring, spot checks, site visits, and reconciliations.	06/2016
Insufficient controls for transactions involving intragovernmental orders, including lack of evidence for receipt and acceptance activities.	<p>Commands are being directed to follow requirements for documenting receipt and acceptance activities and improving processes, where needed. Actions include retaining appropriate financial documents, establishing standardized document retrieval processes, ensuring proper forms are created and maintained for all relevant approvers, and implementing self-testing. Spot-check testing will be done at Command locations. Additional actions include assessing whether policies sufficiently address audit requirements, and developing training and standard operating procedures to clarify the policies.</p> <p>Navy FMO will work with the Navy ERP PMO to identify technical changes needed to facilitate recording of budgetary transactions in accordance with GAAP and USSGL guidelines. FMO will also collaborate with BSOs and FMP to develop policies, procedures, and processes to support post-entry validation, develop and provide training, and track corrective actions to closure.</p>	09/2016
Lack of supporting documentation for sampled transactions to support the nature of the accounting event; substantiate recorded unfilled orders, collections, delivered orders, and outlays; and evidence whether transactions were recorded in the correct fund or period.	<p>Commands are being directed to follow requirements for documenting activities and improving processes and policies, where needed. In addition, there will be coordination with stakeholders (e.g. workshops, site visits) to review and analyze existing DON policies to assess whether revisions are needed to meet audit requirements. Policies will be revised, as needed, and published across DON. This includes a combination of monitoring, spot checks, site visits, and reconciliations.</p> <p>Navy FMO will work with the Navy ERP PMO to identify technical changes needed to facilitate recording of budgetary transactions in accordance with GAAP and USSGL guidelines. FMO will also collaborate with BSOs and FMP to</p>	09/2016

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Material Weaknesses	Corrective Actions	Completion
	<p>develop policies, procedures, and processes to support post-entry validation, develop and provide training, and track corrective actions to closure.</p> <p>Navy FMO will establish a detail-to-summary reconciliation process that identifies details to summary lines so appropriate personnel can retrieve more accurate documentation. Navy FMO will also enhance existing supporting document requirements and ensure more oversight of policies and procedures regarding the retention of supporting documentation.</p>	
<p>Inconsistent monitoring procedures to assess whether recorded obligations, unpaid delivered orders, unfilled customer orders, and filled customer orders unpaid were valid and accurately recorded.</p>	<p>Navy FMO will establish a universe of transactions that is available to responsible parties. Navy FMO will implement and document policies, guidance, and training at the Command-level to ensure all transactions are accurately recorded.</p>	<p>03/2016</p>
<p>IT Systems: Ineffective Controls over Information Technology</p>		
<p>Lack of effective security controls.</p>	<p>Navy CIO is identifying an enterprise-wide solution for security management software to automate the management of security controls across the Navy IT environment. In the interim, Navy management will centrally perform IT security training to ensure supporting documentation is retained, background checks performed, and system access regularly monitored.</p>	<p>11/2017</p>
<p>Insufficient access controls for financial system users.</p>	<p>DON will develop and implement more rigorous account management processes and controls addressing the full user lifecycle for functional users, as well as system software administration, and other privileged access roles. DON will update account management policies, system functionality, and processes to communicate requirements for the following account management processes and controls:</p> <ul style="list-style-type: none"> • Prevent users from accessing unauthorized resources • Enforce standard documentation of user account actions • Retain adequate evidence of user account administration activities until at least one year after account termination • Revoke or remove user roles and accounts due to account inactivity, 	<p>08/2016</p>

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Material Weaknesses	Corrective Actions	Completion
	<p>change in job responsibilities, or user separation</p> <ul style="list-style-type: none"> • Periodically recertify and update user account roles • Suspend user accounts after unsuccessful login attempts • Log and monitor sensitive transactions and system events • Control physical access to computing resources 	
<p>Ineffective segregation of duty controls at database, operating system, and application level.</p>	<p>DON will implement more stringent controls related to the Access Risk Analysis tool to update each system’s segregation of duty matrix and execute periodic reviews of user accounts to identify individuals with incompatible roles. Policies and procedures will be updated to:</p> <ul style="list-style-type: none"> • Provide guidance for the administration, assignment, and review and monitoring of user and administrative access • Ensure management grants users compatible roles for valid business purposes • Redesign privileged role matrix, where applicable • Enforce system administration capabilities to assess user administration roles 	<p>10/2017</p>
<p>Lack of configuration management controls.</p>	<p>DON will develop and implement policies and procedures to:</p> <ul style="list-style-type: none"> • Enforce interface monitoring and error resolution based on FY 2015 SBA audit findings • Document interface error message handling processes and audit trails through tracking and logging to evidence timely error correction • Implement automated solutions through edit and validation checks 	<p>08/2016</p>
<p>Need for consistent interface controls.</p>	<p>DON will develop and implement policies and procedures to:</p> <ul style="list-style-type: none"> • Enforce interface monitoring and error resolution based on FY 2015 SBA audit findings • Document interface error message handling processes and audit trails through tracking and logging to evidence timely error correction • Implement automated solutions through edit and validation checks 	<p>04/2018</p>

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Material Weaknesses	Corrective Actions	Completion
Lack of controls of third party systems.	DON will develop, document, and implement a policy and procedure to ensure contracts, Service Level Agreements or MOUs are in place with third-party service providers that clearly outline security roles and responsibilities. Navy CIO will implement a process to formally review third-party reports and track remediation required by third parties. In addition, Navy management will document and execute complimentary user entity controls and periodically assess operating effectiveness.	12/2016

FY 2016 SBA Audit

The audit of the FY 2016 SBA will include budgetary activity for FY 2015 appropriations having activity in FY 2016 and ending balances for FY 2015 appropriations. The FY 2016 SBA audit will also include FY 2016 appropriation transaction activity. Marine Corps transactions will be excluded from testing. A separate process will be used to test the Navy Systems Management Activity transactions because of their classified nature.

The FY 2016 audit timeline will be compressed from a 15-month schedule to a 10-month schedule. The testing sample size is expected to be larger, and the single point transaction universe is expected to remain unchanged with five data elements delivered to the auditors. The Navy expects to be more efficient in its communication and collaboration with the auditors, because lessons have been learned and changes implemented on both sides.

Risks to a Successful FY 2016 SBA Audit

- **FY 2015 ending balances included in the FY 2016 SBA.** During the FY 2015 SBA audit, the IPA concluded internal controls could not be relied on to detect or mitigate errors or misstatements in SBA balances. The ending balances are also included in the FY 2016 SBA. The Navy is working to identify

alternative or modified audit procedures to compensate for potential beginning balance testing issues.

- **Feeder system reconciliations and completeness of the transaction universe.** The Navy is reducing the number of crosswalks used in preparing feeder system trial balances and is pursuing an aggressive corrective actions timeline to enable feeder systems to reconcile the GLAS to BTS. Corrective actions are required to be completely implemented by December 31, 2016.
- **Adequacy of source documentation.** The FY 2015 SBA auditors reported Navy was unable to provide documentation to substantiate its transactions. The Navy is working to ensure documentation submitted to the auditors is timely and accurate. Validation of the Navy's financial business operations through submission of proper documentation will provide the auditors with greater confidence that processes are both sustainable and repeatable.

BALANCE SHEET

As the Navy approaches the FY 2018 full financial statement audit goal, it is focused on the Balance Sheet. To achieve Balance Sheet auditability, the Navy has adopted a strategy with two validation workstreams:

- Beginning Balances
- Sustainment of the Balances

The Navy will concurrently identify and remediate deficiencies in audit evidence, while accumulating sufficient audit evidence to substantiate Balance Sheet beginning balances. Audit readiness efforts for the Balance Sheet also include data mining, reconciliations, risk assessments, business process standardization and documentation reviews, gap analyses, command questionnaires, walkthroughs, testing, and reporting of deficiencies.

There are 16 lines on the General Fund Balance Sheet, and the Navy is focused on 8 of the most significant Balance Sheet lines:

- Fund Balance with Treasury
- Accounts Receivable
- Other Assets
- General Property, Plant, and Equipment
- Inventory and Related Property
- Accounts Payable
- Other Liabilities
- Environmental and Disposal Liabilities

Progress Since the November 2015 FIAR Report

Highlights of Navy progress since the November 2015 FIAR Report include:

- Implemented beginning balance validation strategy and began identifying deficiencies.
- Implemented an approach for processing deficiencies and coordinating an effective and efficient response.
- Conducted command and service provider site visits as part of the beginning balance validation strategy.
- Completed a reorganization to align financial management and operations with business needs, including audit readiness.
- Completed all discovery efforts and documented the statement to process analysis, business process narrative, business process diagram, control supporting documentation and testing matrixes, risk matrixes, systems listing, process cycle memorandum, and the related scope strategy document.

Challenges to Audit Readiness by September 30, 2017

While the Navy has made progress toward audit readiness, challenges remain, such as:

- Availability of command personnel to participate in audit readiness activities while also responding to SBA audit requests.
- A complex systems environment that includes both legacy and ERP systems. Many systems require changes that may not be complete when the Navy asserts its full financial statements in FY 2017. The Navy is addressing the changes most critical to audit readiness first and mitigating the remaining systems changes, as necessary.
- Availability of supporting documentation and development of a complete universe of transactions for all financial statements and funds including beginning balances and supporting transactions.
- Reconciliations to confirm the existence and completeness of underlying supporting documentation and to validate the accuracy of General Ledger balances have not been identified.

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- Navy reliance on service providers and the effect service provider audit readiness has on Navy processes.
- Insufficient time for corrective actions to be institutionalized and validated. Resource constraints due to the high volume of ongoing audit readiness and audit activity, as well as other primary job responsibilities. Such constraints may lead to commands not being able to support audit readiness activities in the timeframe required. The Navy is working with its commands and budget offices to ensure adequate resources are available to support audit readiness and audit activities.

NAVY GENERAL FUND AUDIT READINESS CRITICAL CAPABILITIES

Navy is focused on high-risk areas and critical capabilities identified by the Department. The critical capabilities include:

- Universe of Transactions

- Fund Balance with Treasury
- Journal Vouchers
- Existence, Completeness, and Rights and Obligations of Assets
- Valuation of Assets
- Environmental and Disposal Liabilities
- IT Controls

Figure III-3 provides the Navy General Fund completion dates for each critical capability. Following Figure III-3 are charts for each critical capability, except IT Controls, containing the dates for achieving the capability, accomplishments, and challenges. Information on IT Controls and systems material to audit begins on page III-49.

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Figure III-3. Navy General Fund Audit Readiness Critical Capabilities (✓ = Completed)

Navy – General Fund		Completion	Validation *
Universe of Transactions	Statement of Budgetary Resources	12/2016	12/2016
	Balance Sheet	12/2016	12/2016
Fund Balance with Treasury		12/2016	06/2017
Journal Vouchers		09/2017	09/2017
Existence, Completeness, and Rights and Obligations of Assets	Real Property (including Construction in Progress)	06/2016	06/2016
	General Equipment (including Military Equipment)	03/2017	03/2017
	Internal Use Software	09/2016	03/2017
	Inventory and Related Property	06/2016	06/2016
Valuation of Assets	Real Property (including Construction in Progress)	03/2017	03/2017
	General Equipment (including Military Equipment)	03/2017	03/2017
	Internal Use Software	03/2017	03/2017
	Inventory and Related Property	09/2017	09/2017
Environmental Liabilities (DERP and Non-DERP)		09/2016	12/2016
IT Controls		04/2019	04/2019

* The Navy will conduct concurrent impartial verification and validation to confirm audit readiness.

Universe of Transactions – Schedule of Budgetary Activity (General Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting systems.	✓

Accomplishments

- Produced a population of transaction details, including sensitive activities that reconcile to the FY 2015 SBA for each quarter of the fiscal year.
- Reconciled data from all four Navy General Fund accounting systems for beginning FY 2015 lines of accounting.
- Developed detailed audit response procedures designed to support tests of financial reporting objectives and tests of supporting documentation.

Challenges

- None

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	12/2016
Interim Milestones	
Execute interface control agreement or memorandum of agreement.	✓
Define requirements for data reconciliations.	06/2016
Develop data reconciliations.	09/2016
Achieve ability to complete interface reconciliations monthly.	12/2016

Accomplishments

- The ASN(FM&C) issued a memorandum, “System Owner Compliance with Interface Reconciliations,” directing stakeholders to comply with reconciliation requirements.
- Collected stakeholder plans to comply with the ASN(FM&C) memorandum.

Challenges

- Determining the year of origination for no-year funding based on incomplete data elements necessary to identify the year of funding.
- Developing reconciliations of transaction details back to source systems is difficult due to the complex systems environment of four general ledger systems and numerous feeder systems.
- Many systems require changes that may not be in place when the Navy asserts its full financial statements in FY 2017.

Universe of Transactions – Statement of Budgetary Resources (General Fund)

Critical Capability	Completion
A) Able to produce population of transaction and beginning balance details, including sensitive activities, reconciled to each financial statement line item and accounting systems.	12/2016
Interim Milestones	
Develop population data requirements request.	✓

Accomplishments

- Produced population of transaction details, including sensitive activities that reconcile to the FY 2015 SBA for each quarter of the fiscal year.
- Reconciled data from all four Navy General Fund accounting systems for beginning FY 2015 lines of accounting.
- Developed detailed audit response procedures designed to support tests of financial reporting objectives and tests of supporting documentation.

Challenges

- Transactions for lines of accounting with beginning fiscal years prior to 2015 or for multi- or no-year appropriations due to incomplete data elements necessary to identify the year of funding and data availability.
- Transaction data retention periods are not the same for all systems.
- For some systems, transactions are posted at the summary level, and detailed information is difficult to reconcile to the summary-level postings.

Critical Capability	Completion
B) Able to reconcile population of transaction and beginning balance details to feeder/source/originating systems.	12/2016
Interim Milestones	
Execute interface control agreement or memorandum of agreement.	✓
Define requirements for data reconciliations.	06/2016
Develop data reconciliations.	09/2016
Achieve ability to complete interface reconciliations monthly.	12/2016

Accomplishments

- The ASN(FM&C) issued a memorandum, “System Owner Compliance with Interface Reconciliations,” directing stakeholders to comply with reconciliation requirements.
- Collected stakeholder plans to comply with the ASN(FM&C) memorandum.

Challenges

- Determining the year of origination for no-year funding based on incomplete data elements necessary to identify the year of funding.
- Developing reconciliations of transaction details back to source systems is difficult due to the complex systems environment of four general ledger systems and numerous feeder systems
- Many systems require changes that may not be in place when the Navy asserts its financial statements in FY 2017.

Universe of Transactions – Balance Sheet (General Fund)

Critical Capability	Completion
A) Able to produce population of transaction and beginning balance details, including sensitive activities, reconciled to each financial statement line item and accounting systems.	12/2016
Interim Milestones	
Identify line item beginning balances.	06/2016

Accomplishments

- Produced population of transaction details, including sensitive activities that reconcile to the FY 2015 adjusted trial balance for each quarter of the fiscal year.
- Reconciled data from all four Navy General Fund accounting systems for beginning FY 2015 lines of accounting.
- Developed detailed audit response procedures designed to support tests of financial reporting objectives and tests of supporting documentation.

Challenges

- Transactions for lines of accounting with beginning fiscal years prior to 2015 or for multi- or no-year appropriations due to incomplete data elements necessary to identify the year of funding and data availability.
- Transaction data retention periods are not the same for all systems.
- For some systems, transactions are posted at the summary level, and detail information is difficult to reconcile to the summary-level postings.

Critical Capability	Completion
B) Able to reconcile population of transaction and beginning balance details to feeder/source/originating systems.	12/2016
Interim Milestones	
Execute interface control agreement or memorandum of agreement.	✓
Define requirements for data reconciliations.	06/2016
Develop data reconciliations.	09/2016
Achieve ability to complete monthly interface reconciliations.	12/2016

Accomplishments

- The ASN(FM&C) issued a memorandum, “System Owner Compliance with Interface Reconciliations,” directing stakeholders to comply with reconciliation requirements.
- Collected stakeholder plans to comply with the ASN(FM&C) memorandum.

Challenges

- Determining the year of origination for no-year funding based on incomplete data elements necessary to identify the year of funding.
- Developing reconciliations of transaction details back to source systems is difficult due to the complex systems environment of four general ledger systems and numerous feeder systems
- Many systems require changes that may not be in place when the Navy asserts its financial statements in FY 2017.

Fund Balance with Treasury (General Fund)

Critical Capability	Completion
A) Process and tools to identify, age, and resolve differences between the general ledgers (proprietary and budgetary) and Treasury (at voucher-level).	12/2016
Interim Milestones	
Release DCAS systems changes.	✓
Update Fund Balance with Treasury recurring reconciliations.	06/2016
Go live for Navy Fund Balance Tool.	12/2016

Accomplishments

- Implemented DCAS SCR for January 2016 business.

Challenges

- Remediation of overage transactions affects the ability to obtain documentation and other support necessary to determine appropriate corrective action.

Critical Capability	Completion
B) Process and tools to identify, age, and resolve transactions posted to budget clearing accounts within 60 days (suspense accounts).	09/2016
Interim Milestones	
Auditors issue suspense account audit report.	06/2016
Complete and sign service level agreement with DFAS.	06/2016
Implement agreed on service level agreement structures and Fund Balance with Treasury DFAS SSAE No. 16.	09/2016

Accomplishments

- Completed an initial evaluation and assessment of DFAS-CL suspense account reconciliations.

Challenges

- Remediation of overage transactions affects the ability to obtain documentation and other support necessary to determine appropriate corrective action.

Fund Balance with Treasury (General Fund)

Critical Capability	Completion
C) Process and tools to identify, age, and resolve transactions reported on Treasury's statements of differences within 30 days.	09/2016
Interim Milestones	
Complete and sign service level agreement with DFAS.	06/2016
Implement agreed on service level agreement structures and Fund Balance with Treasury DFAS SSAE No. 16.	09/2016

Accomplishments

- Prepared first draft of a service level agreement.

Challenges

- Remediation of overage transactions affects the ability to obtain documentation and other support necessary to determine appropriate corrective action.

Critical Capability	Completion
D) Perform aging analysis and apply reconciliations backwards to any years possible.	12/2016
Interim Milestones	
Draft aging analysis for beginning balances.	✓
Implement recommendations from aging analysis.	09/2016

Accomplishments

- Drafted aging analysis for beginning balances.

Challenges

- None

Journal Vouchers (General Fund)

Critical Capability	Completion
Elimination Entries – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements related to intra-component and intra-departmental elimination entries.	09/2017
Interim Milestones	
Identify root causes to documentation deficiencies.	✓
OSD delivers data standards and GEX translation capabilities.	06/2016
Develop, implement, and recommend corrective actions for supporting documentation.	09/2016
Navy ERP Budget Submitting Office, Department of the Navy Assistant for Administration, and USMC begin implementing IPP.	09/2016
Remaining budget submitting offices begin implementing IPP.	09/2017

Accomplishments

- Established a working group to assess issues, requirements, and recommendations to improve elimination entries.
- Began assessing policy, process, and system limitations to properly support eliminations.
- Navy ERP accepted engineering change proposal to receive and process general terms and conditions data from IPP.

Challenges

- Dependencies with external organizations (i.e., other DoD

Critical Capability	Completion
All Other Journal Vouchers – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements for all other journal vouchers.	09/2016
Interim Milestones	
Complete manual journal voucher review for supportability and issue identification.	✓
Implement monitoring and compliance processes for DDRS journal vouchers.	✓
Identify root causes for manual DDRS journal vouchers.	06/2016
Develop and implement corrective actions.	09/2016

Accomplishments

- Implemented, in coordination with FMB and DFAS, a PBIS file change that will decrease approximately 40 percent of PBIS-related reclassification journal vouchers (136 journal vouchers totaling \$8.18 billion based on the FY 2015 population).
- Reviewed FY 2015 manual DDRS journal vouchers totaling over \$1 billion (492 journal vouchers) for supportability and established a baseline to support a governance and approval process.
- Implemented a monitoring and compliance process for DDRS journal vouchers (DDRS journal vouchers MOU signed in 12/2015 by FMO, FMB, and DFAS).
- Developed monitoring and compliance process for journal vouchers that includes a quarterly command quality and compliance review and an FMO independent verification of command compliance review.

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organizations and federal agencies) to finalize data standards, GEX translation and interfaces, and policies and regulations governing IGTs.

- Available time and resources to revise and deploy training programs to align with new policies and processes for IPP implementation.
- Clearly identifying population of journal vouchers outside of the IPP scope.
- Systems limitations for both short- and long-term solutions.

Challenges

- Capturing the complexity of the journal voucher universe.
- Obtaining a complete population of journal vouchers.
- Competing priorities across FMO and DON.

Existence and Completeness – Real Property (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	06/2016
Interim Milestones	
Complete Phase II testing.	✓

Accomplishments

- Completed Round I, Phase I (Acquisition Lifecycle) existence and completeness sustainment testing and Round III internal controls testing.
- Completed Phase II testing of capital improvements, Construction in Progress), and financial reporting corrective actions.

Challenges

- None

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	06/2016
Interim Milestones	
Complete Phase II testing.	✓

Accomplishments

- Performed a GAAP analysis and risk assessment of the asset life cycle.
- Updated processes and implemented system enhancements to incorporate new and updated internal controls.

Challenges

- None

Existence and Completeness – General Equipment (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	03/2017
Interim Milestones	
Initiate financial reporting testing.	✓
Implement corrective action plans.	06/2016
Implement interim process for Construction in Progress.	09/2016
Validate interim process for Construction in Progress.	12/2016

Accomplishments

- Mapped financial reporting processes and systems.

Challenges

- None

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Initiate financial reporting testing.	✓
Implement corrective action plans.	06/2016
Implement interim process for Construction in Progress.	09/2016
Validate interim process for Construction in Progress.	12/2016

Accomplishments

- Completed internal control testing for Aircraft existence and completeness.
- Implemented corrective actions for Aircraft existence and completeness.

Challenges

- Supporting documentation is incomplete and inconsistent.

Existence and Completeness – Internal Use Software (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2016
Interim Milestones	
Establish DON working group.	✓
Develop Internal Use Software strategy.	✓
Identify projects currently under development that need to be capitalized after September 30, 2016.	06/2016
Accumulate and report software in development.	09/2016

Accomplishments

- Completed Internal Use Software lifecycle discovery.
- Developed Internal Use Software strategy to validate lifecycle actions for accountability and financial reporting.

Challenges

- No established process for Internal Use Software Construction in Progress (Software in Development).
- A complete asset universe has not been identified for Internal Use Software capital assets.
- A system has not been identified and selected to be the accountable property system of record for Internal Use Software assets.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2016
Interim Milestones	
Establish DON working group.	✓
Develop Internal Use Software strategy.	✓
Identify projects currently under development that need to be capitalized after September 30, 2016.	06/2016
Accumulate and report software in development (Construction in Progress).	09/2016

Accomplishments

- Initiated to-be lifecycle development.
- Established a DON Internal Use Software Instruction.

Challenges

- DoD Internal Use Software Instruction not yet released.

Existence and Completeness – Inventory and Related Property (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	06/2016
Interim Milestones	
Complete physical inventory for Operating Materials and Supplies testing and identify corrective actions.	✓
Complete Operating Materials and Supplies existence and completeness corrective actions.	✓

Accomplishments

- Validated that existence and completeness corrective actions are consistent with audit readiness objectives.

Challenges

- Completeness of data in accountable property systems of record to support an auditable baseline.
- A comprehensive universe of Operating Materials and Supplies assets cannot currently be compiled.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	06/2016
Interim Milestones	
Complete physical inventory for Operating Materials and Supplies testing and identify corrective actions.	✓
Complete Operating Materials and Supplies existence and completeness corrective actions.	✓

Accomplishments

- Incorporated a physical inventory process for Uninstalled Aircraft Engines into sustainment activities.
- Completed Round II testing on the universe of Operating Materials and Supplies.

Challenges

- Reporting lags caused by timing of transferring data into accountable property systems of record.
- Lack of attention to detail resulting in failure to apply basic supply management procedures.

Valuation – Real Property (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	03/2017
Interim Milestones	
Run plant replacement value model for assets placed in service prior to FY 2014.	06/2016
Validate plant replacement value model.	09/2016
Update plant replacement value assets.	12/2016
Validate book values.	03/2017

Accomplishments

- Conducted Placed in Service testing and analysis to determine confidence in system dates to support a deemed cost.
- Conducted asset and system data analysis to validate Plant Replacement Value calculation data elements.

Challenges

- Corrective actions must be implemented and tested prior to implementing alternative valuation methodology.
- Reliance on OUSD(C) to confirm auditability of the Plant Replacement Value valuation model and related data elements.
- Using Plant Replacement Value under the alternative valuation methodology increases the number of capitalized assets, increasing existence and completeness and valuation testing requirements.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Complete operations and maintenance capital improvement testing.	✓
Implement operations and maintenance capital improvements corrective action plans.	06/2016
Validate Military Construction valuation.	06/2016
Validate operations and maintenance corrective actions.	12/2016

Accomplishments

- Completed Operations and Maintenance Appropriation (Non-Military Construction Appropriation) capital improvement testing.
- Performed sustainment testing of valuation internal controls.
- Developed new processes and system enhancements to incorporate new internal controls environment.

Challenges

- Non-Military Construction Appropriation capital improvement solution requires additional coordination with customers.
- Current useful life and capitalization threshold policies are being evaluated for compliance with GAAP and may need to be updated. Changes to these data elements may complicate Plant Replacement Value implementation.

Valuation – General Equipment (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	09/2016
Interim Milestones	
Establish baseline.	✓
Initiate financial reporting testing.	✓
Research for historical value (Aircraft).	✓
Conduct valuation testing of General Equipment.	✓
Update APSR (Aircraft, Vessels, and other General Equipment) to capture current baseline values.	08/2016
Verify baseline for all General Equipment assets.	08/2016

Accomplishments

- Established baseline for all General Equipment.
- Mapped financial reporting processes and systems.
- Established historical values for Aircraft.

Challenges

- Lack of existing documentation to support historical cost.
- Alternative valuation methodologies must be considered.
- Multiple systems use manual reporting processes to report financial data to DFAS.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Initiate Construction in Progress automated solution Working Group.	✓
Put Construction in Progress methodology in place.	06/2016
Test and validate Construction in Progress methodology.	08/2016
Implement interim process for Construction in Progress.	09/2016
Determine Government Furnished Equipment go-forward methodology.	09/2016
Define Construction in Progress automated requirements from post working group.	09/2016
Achieve interim SFFAS No. 35 compliance.	12/2016

Accomplishments

- Developed Construction in Progress valuation approach.
- Designed engineering change proposals for Navy ERP to capture Construction in Progress values.

Challenges

- Navy ERP does not currently accumulate Construction in Progress for assets. This deficiency makes it difficult to track accumulated costs and accurately report Construction in Progress on the Balance Sheet and the automated solution is complex.
- Capital improvements are not captured for all capital assets. Values and depreciation must be adjusted in multiple accountable property systems of record to prevent risk of understating balances.

Valuation – Internal Use Software (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	03/2017
Interim Milestones	
Establish DON working group.	✓
Develop Internal Use Software strategy.	✓
Identify projects currently under development that need to be capitalized after September 30, 2016.	09/2016
Accumulate and report software in development (Construction in Progress).	12/2016

Accomplishments

- Completed Internal Use Software lifecycle discovery.
- Developed Internal Use Software strategy to validate lifecycle actions for accountability and financial reporting.

Challenges

- No established process for Internal Use Software Construction in Progress (Software in Development).
- A system has not been identified and selected to be the accountable property system of record for Internal Use Software assets.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Establish DON working group.	✓
Develop Internal Use Software strategy.	✓
Identify projects currently under development that need to be capitalized after September 30, 2016.	09/2016
Accumulate and report in development.	12/2016

Accomplishments

- Initiated to-be lifecycle development.
- Established a DON Internal Use Software Instruction.

Challenges

- DoD Internal Use Software Instruction not yet released.

Valuation – Inventory and Related Property (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	09/2017
Interim Milestones	
Develop national item identification number to latest acquisition cost mapping strategy.	03/2017
Finalize deemed cost approach (latest acquisition cost).	03/2017
Implement deemed cost approach.	09/2017

Accomplishments

- Identified valuation methodologies for Inventory and Operating Materials and Supplies accountable property systems of record.

Challenges

- Completeness of existing source data.
- Acquisition cost data availability to accurately calculate Moving Average Cost.
- Complexity of revaluing all Operating Materials and Supplies on a given date given the size of the population in existing systems.
- Multiple systems use manual reporting processes to report financial data to DFAS.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2017
Interim Milestones	
Turn on Moving Average Cost functionality.	09/2017

Accomplishments

- Identified GAAP-deficiencies in existing systems for valuing Operating Materials and Supplies.

Challenges

- System and process changes required to ensure Inventory and Related Property is valued using GAAP-compliant methods.

Environmental and Disposal Liabilities (General Fund)

Critical Capability	Completion
A) Establish an auditable process for estimating (identifying and valuing) and recording environmental and disposal liabilities.	09/2016
Interim Milestones	
Conduct environmental and disposal liabilities stress testing.	✓
Complete internal validation.	06/2016
Validate estimation methodologies.	09/2016

Accomplishments

- Validated methodologies and assumptions.
- Developed and began to implement corrective actions.

Challenges

- Contingent liabilities rely on complex assumptions that are subject to intense scrutiny during validation.
- Assumptions and inputs used to calculate liabilities for separate classes of naval vessels are reliant upon dated source data.
- Process changes must be implemented, which will increase reliance on the accountable property system of record to establish the baseline of existence and completeness for reportable liabilities.

Working Capital Fund Financial Statements

Similar to the General Fund, the Navy Working Capital Fund audit readiness strategy follows a two-phased approach. The first phase of the approach is to establish and validate the auditability of Working Capital Fund beginning balances. This is being accomplished by conducting reviews of material financial statement lines to determine the Navy’s ability to quickly respond to audit requests.

During the first phase, the Navy will accumulate documentation necessary to support beginning balances. The Working Capital Fund has provided supporting documentation to the Navy’s impartial verification and validation team for material Balance Sheet line items, and the team is conducting substantive mock audit procedures. After testing, the team will issue NFRs, and the Navy will develop and implement corrective actions to address gaps.

The second phase of the audit readiness approach is to design and perform complimentary sustainment activities to support audits of Working Capital Fund financial statements. Activities in this phase include:

- Conducting FIAR activities that document, improve, test, and correct internal controls, financial processes, and information systems.
- Ensuring reliable and repeatable processes that accumulate and report auditable balances.
- Ensuring required IT system reconciliations that link with the Navy’s transaction universe are in place and being performed effectively and timely.

The Working Capital Fund has identified the performance of Beginning Balance build activities as its top audit readiness priority while concurrently conducting financial statement sustainment activities.

Figure III-4 provides a summary of the Navy’s audit readiness plans for the Working Capital Fund Financial Statements. The remainder of this section of the report provides detailed information on the Navy’s audit readiness plans.

Figure III-4. Navy Working Capital Fund Financial Statements

Financial Statements	Post-Validation Corrective Actions Complete	Audit Start
Statement of Budgetary Resources	09/2017	10/2017
Balance Sheet	09/2017	10/2017

Statement of Budgetary Resources

As previously described, the Navy is following a two-phased process to achieve audit readiness of its Statement of Budgetary Resources by September 30, 2017. This two-phased process includes testing and corrective actions to ensure beginning balances are valid and supportable. This includes the Navy’s ability to produce detailed, reconcilable transactions that support beginning balances. The two phases also include sustainment activities and other goals.

Balance Sheet

The Navy will use the impartial verification and validation effort to build its September 30, 2017, Balance Sheet through the accumulation of sufficient audit evidence. Audit readiness work on the Balance Sheet also includes data mining, reconciliations, risk assessments, business process standardization and documentation reviews, gap analyses, command questionnaires, walkthroughs, testing, and reporting of deficiencies. There are 15 lines on the Working Capital Fund Balance Sheet, and the Navy is focusing on 14 of the lines, with the exception of Cash and Other Monetary Assets.

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Progress Since the November 2015 FIAR Report

Highlights of Navy progress since the November 2015 FIAR Report include:

- Implemented a beginning balance validation strategy that is identifying deficiencies.
- Implemented a sustainment strategy, including testing the processes and internal controls related for revenue processes.
- Completed Contract and Vendor Pay testing.
- Developed initial corrective actions for the findings from Contract and Vendor Pay testing.
- Developed an internal control assessment and supporting documentation matrix for Working Capital Fund processes and financial statement line items.
- Continued development work to complete a transaction universe to include beginning balances.

Challenges to Audit Readiness by September 30, 2017

While the Navy has made progress toward audit readiness, challenges remain:

- Ensuring availability of supporting documentation and developing a universe of transactions for all financial statements that includes beginning balances and supporting transactions.
- Completing operational and functional system changes to Navy ERP and legacy systems before the Navy asserts its full financial statements in FY 2017. The Navy is addressing the changes most critical to audit readiness first and mitigating remaining challenges, as necessary.
- Having enough time to institutionalize and validate corrective actions prior to September 30, 2017.

NAVY WORKING CAPITAL FUND AUDIT READINESS CRITICAL CAPABILITIES

Navy is focused on high-risk areas and critical capabilities identified by the Department. The critical capabilities include:

- Universe of Transactions
- Fund Balance with Treasury
- Journal Vouchers
- Existence, Completeness, and Rights and Obligations of Assets
- Valuation of Assets
- Environmental and Disposal Liabilities
- IT Controls

Figure III-5 provides the Navy Working Capital Fund completion dates for each critical capability. Following Figure III-5 are charts for each critical capability, except IT Controls, containing the dates for achieving the capability, accomplishments, and challenges. Information on IT Controls and systems material to audit begins on page III-49.

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Figure III-5. Navy Working Capital Fund Audit Readiness Critical Capabilities (✓ = Completed)

Navy – Working Capital Fund		Completion	Validation *
Universe of Transactions		06/2016	12/2016
Fund Balance with Treasury		12/2016	06/2017
Journal Vouchers		09/2017	09/2017
Existence, Completeness, and Rights and Obligations of Assets	Real Property (including Construction in Progress)	06/2016	06/2016
	General Equipment (including Military Equipment)	03/2017	06/2016
	Internal Use Software	09/2016	09/2016
	Inventory and Related Property	✓	06/2016
Valuation of Assets	Real Property (including Construction in Progress)	03/2017	03/2017
	General Equipment (including Military Equipment)	03/2017	03/2017
	Internal Use Software	03/2017	03/2017
	Inventory and Related Property	03/2017	03/2017
IT Controls		04/2019	04/2019

* The Navy will conduct concurrent impartial verification and validation to confirm audit readiness.

Universe of Transactions – Statement of Budgetary Resources (Working Capital Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	12/2016
Interim Milestones	
Define requirements for data reconciliations.	06/2016
Develop data reconciliations.	09/2016
Define requirements for data reconciliations.	12/2016

Accomplishments

- Reconciled data from four of six Navy Working Capital Fund accounting systems for FY 2016 transactions.

Challenges

- Transactions for lines of accounting for fiscal years prior to FY 2015 are based on incomplete data elements that are necessary to identify the year of funding, and the data is not available.
- Transaction data retention periods are not the same for all systems.
- For some systems, transactions are posted at the summary level, and detailed information is difficult to reconcile to the summary-level postings.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	12/2016
Interim Milestones	
Define requirements for data reconciliations.	06/2016
Develop data reconciliations.	09/2016
Achieve ability to complete interface reconciliations monthly.	12/2016

Accomplishments

- The ASN(FM&C) issued a memorandum, “System Owner Compliance with Interface Reconciliations,” directing stakeholders to comply with reconciliation requirements.
- Collected stakeholder plans to comply with the ASN(FM&C) memorandum.

Challenges

- Determining the year of origination for no-year funding based on incomplete data elements necessary to identify the year of funding.
- Developing reconciliations of transaction details back to source systems is difficult due to the complex systems environment of four general ledger systems and numerous feeder systems.
- Many systems require changes that may not be in place when the Navy asserts its financial statements in FY 2017.

Universe of Transactions – Balance Sheet (Working Capital Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	12/2016
Interim Milestones	
Define requirements for data reconciliations.	06/2016
Develop data reconciliations.	09/2016
Define requirements for data reconciliations.	12/2016

Accomplishments

- Reconciled data from four of six Navy Working Capital Fund accounting systems for FY 2016 transactions.

Challenges

- Transactions for lines of accounting for fiscal years prior to FY 2015 are based on incomplete data elements that are necessary to identify the year of funding, and the data is not available.
- Transaction data retention periods are not the same for all systems.
- For some systems, transactions are posted at the summary level, and detailed information is difficult to reconcile to the summary-level postings.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	12/2016
Interim Milestones	
Define requirements for data reconciliations.	06/2016
Develop data reconciliations.	09/2016
Achieve ability to complete interface reconciliations monthly.	12/2016

Accomplishments

- The ASN(FM&C) issued a memorandum, “System Owner Compliance with Interface Reconciliations,” directing stakeholders to comply with reconciliation requirements.
- Collected stakeholder plans to comply with the ASN(FM&C) memorandum.

Challenges

- Determining the year of origination for no-year funding based on incomplete data elements necessary to identify the year of funding.
- Developing reconciliations of transaction details back to source systems is difficult due to the complex systems environment of four general ledger systems and numerous feeder systems
- Many systems require changes that may not be in place when the Navy asserts its financial statements in FY 2017.

Fund Balance with Treasury (Working Capital Fund)

Critical Capability	Completion
A) Process and tools to identify, age, and resolve differences between the general ledgers (proprietary and budgetary) and Treasury (at voucher-level).	12/2016
Interim Milestones	
Release DCAS systems changes.	✓
Update Fund Balance with Treasury recurring reconciliations.	06/2016
Go live for Navy Fund Balance Tool.	12/2016

Accomplishments

- Implemented DCAS SCR for January 2016 business.

Challenges

- Remediation of overage transactions affects the ability to obtain documentation and other support necessary to determine appropriate corrective action.

Critical Capability	Completion
B) Process and tools to identify, age, and resolve transactions posted to budget clearing accounts within 60 days (suspense accounts).	10/2016
Interim Milestones	
Auditors issue suspense account audit report.	06/2016
Complete and sign service level agreement with DFAS.	06/2016
Implement agreed on service level agreement structures and Fund Balance with Treasury DFAS SSAE No. 16.	10/2016

Accomplishments

- Completed initial evaluation and assessment of DFAS-CL suspense account reconciliations.

Challenges

- Remediation of overage transactions affects the ability to obtain documentation and other support necessary to determine appropriate corrective action.

Fund Balance with Treasury (Working Capital Fund)

Critical Capability	Completion
C) Process and tools to identify, age, and resolve transactions reported on Treasury's statements of differences within 30 days.	9/2016
Interim Milestones	
Complete and sign service level agreement with DFAS.	06/2016
Implement service level agreement structures and Fund Balance with Treasury DFAS SSAE No. 16.	09/2016

Accomplishments

- Prepared first draft of a service level agreement.

Challenges

- Remediation of overage transactions affects the ability to obtain documentation and other support necessary to determine appropriate corrective action.

Critical Capability	Completion
D) Perform aging analysis and apply reconciliations backwards to any years possible.	12/2016
Interim Milestones	
Draft aging analysis for beginning balances.	✓
Implement recommendations from aging analysis.	09/2016

Accomplishments

- Drafted aging analysis for beginning balances.

Challenges

- None

Journal Vouchers (Working Capital Fund)

Critical Capability	Completion
Elimination Entries – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements related to intra-component and intra-departmental elimination entries.	09/2017
Interim Milestones	
Identify root causes to documentation deficiencies.	✓
OSD delivers data standards and GEX translation capabilities.	06/2016
Develop, implement, and recommend corrective actions for supporting documentation.	09/2016
Navy ERP Budget Submitting Office, Department of the Navy Assistant for Administration, and USMC begin implementing IPP.	09/2016
Remaining budget submitting offices begin implementing IPP.	09/2017

Accomplishments

- Established a working group to assess issues, requirements, and recommendations to improve elimination entries.
- Began assessing of policy, process, and system limitations to properly support eliminations.
- Navy ERP accepted an engineering change proposal to receive and process general terms and conditions data from IPP.

Challenges

- Dependencies with external organizations (i.e., other DoD

Critical Capability	Completion
All Other Journal Vouchers – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements for all other journal vouchers.	09/2016
Interim Milestones	
Complete manual journal voucher review for supportability and issue identification.	✓
Implement monitoring and compliance processes for DDRS journal vouchers.	✓
Identify root causes for manual DDRS journal vouchers.	06/2016
Develop and implement corrective actions.	09/2016

Accomplishments

- Reviewed FY 2015 manual DDRS journal vouchers for over \$1 billion (34 journal vouchers) for supportability and established baseline to support journal voucher governance and approval.
- Implemented a monitoring and compliance process for DDRS journal vouchers.
- Developed monitoring and compliance process for journal vouchers that includes a quarterly command quality and compliance review and an FMO independent verification of command compliance review.

Challenges

- Capturing the complexity of the universe of journal vouchers.
- Obtaining a complete population of journal vouchers.

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organizations and federal agencies) to finalize data standards, GEX translation and interfaces, and policies and regulations governing intragovernmental transactions.

- Available time and resources to revise and deploy training programs to align with new policies and processes for IPP implementation.
- Clearly identifying population of journal vouchers outside of the IPP scope.
- Systems limitations for both short- and long-term solutions.

- Competing audit readiness priorities across the FMO and DON.

Existence and Completeness – Real Property (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	06/2016
Interim Milestones	
Complete Phase II testing.	✓

Accomplishments

- Completed Round I, Phase I (Acquisition Lifecycle) existence and completeness sustainment testing and Round III internal controls testing.
- Completed Phase II testing for capital improvements, Construction in Progress, and financial reporting corrective actions.

Challenges

- None

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	06/2016
Interim Milestones	
Complete Phase II testing.	✓

Accomplishments

- Performed GAAP analysis and risk assessment of the asset life cycle.
- Updated processes and implemented system enhancements to incorporate new and updated internal controls.

Challenges

- None

Existence and Completeness – General Equipment (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	03/2017
Interim Milestones	
Initiate financial reporting testing.	✓
Implement corrective action plans.	06/2016

Accomplishments

- Mapped financial reporting processes and systems.

Challenges

- None

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Initiate financial reporting testing.	✓
Implement corrective action plans.	06/2016

Accomplishments

- None

Challenges

- None

Existence and Completeness – Internal Use Software (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2016
Interim Milestones	
Establish DON working group.	✓
Develop Internal Use Software strategy.	✓
Identify projects currently under development that need to be capitalized after September 30, 2016.	06/2016
Accumulate and report software in development.	09/2016

Accomplishments

- Established a DON working group to validate stakeholders and processes for Internal Use Software.
- Identified strategy to validate lifecycle actions for accountability and financial reporting.

Challenges

- No established process for Internal Use Software Construction in Progress (Software in Development).
- A complete asset universe has not been identified for Internal Use Software capital assets.
- A system has not been identified or selected to be the accountable property system of record for Internal Use Software assets.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2016
Interim Milestones	
Establish DON working group.	✓
Develop Internal Use Software strategy.	✓
Identify projects currently under development that need to be capitalized after September 30, 2016.	06/2016
Accumulate and report software in development.	09/2016

Accomplishments

- Initiated to-be lifecycle development.
- Established a DON Internal Use Software Instruction.

Challenges

- DoD Internal Use Software Instruction not yet released.

Existence and Completeness – Inventory and Related Property (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	✓

Accomplishments

- Asserted Inventory existence and completeness in 09/2014.

Challenges

- DLA maintains a large portion of Navy Inventory and is undergoing an SSAE No. 16 examination that may not be completed before 09/2016.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	✓

Accomplishments

- Implemented a process for Navy ERP to create an asset listing to support quarterly balances.

Challenges

- None

Valuation – Real Property (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	03/2017
Interim Milestones	
Run plant replacement value model for assets placed in service prior to FY 2014.	06/2016
Validate plant replacement value model.	09/2016
Update plant replacement value assets.	12/2016
Validate book values.	03/2017

Accomplishments

- Conducted Placed in Service testing and analysis to determine confidence in system dates to support a deemed cost.
- Conducted asset and system data analysis to validate Plant Replacement Value calculation data elements.

Challenges

- Corrective actions must be implemented and tested prior to implementing alternative valuation methodology.
- Reliance on OUSD(C) to confirm auditability of the Plant Replacement Value valuation model and related data elements.
- Using Plant Replacement Value under the alternative valuation methodology increases the number of capitalized assets, increasing existence and completeness and valuation testing requirements.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Complete operations and maintenance capital improvement testing.	✓
Implement operations and maintenance capital improvements corrective action plans.	06/2016
Validate Military Construction valuation.	06/2016
Validate operations and maintenance corrective action plans.	12/2016

Accomplishments

- Performed sustainment testing of valuation internal controls
- Developed new processes and system enhancements to incorporate new internal controls environment.

Challenges

- Non-Military Construction capital improvement solution requires additional coordination.
- Useful-life and capitalization threshold policies are being evaluated for compliance with GAAP and may need to be updated. Changes to these data elements may complicate Plant Replacement Value implementation.

Valuation – General Equipment (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	09/2016
Interim Milestones	
Establish baseline.	✓
Initiate financial reporting testing.	✓
Verify baseline for all General Equipment assets.	09/2016

Accomplishments

- Established baseline for all General Equipment.
- Mapped financial reporting processes and systems.

Challenges

- Lack of existing documentation to support historical cost.
- Alternative valuation methodologies must be considered.
- Multiple systems using manual reporting processes to report financial data to DFAS.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Determine Government Furnished Equipment go-forward methodology.	09/2016
Achieve SFFAS No. 6 compliance.	12/2016

Accomplishments

- None

Challenges

- Capital improvements are not currently captured for all capital assets. Values and depreciation must be adjusted in multiple accountable property systems of record to prevent risk of understating asset balances.

Valuation – Internal Use Software (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	03/2017
Interim Milestones	
Establish DON working group.	✓
Develop Internal Use Software strategy.	✓
Identify projects currently under development that need to be capitalized after September 30, 2016.	09/2016
Accumulate and report software in development.	12/2016

Accomplishments

- Completed Internal Use Software lifecycle discovery.
- Developed Internal Use Software strategy to validate lifecycle actions for accountability and financial reporting.

Challenges

- No established process for Internal Use Software Construction in Progress (Software in Development).
- A system has not yet been identified or selected to be the accountable property system of record for Internal Use Software assets.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Establish DON working group.	✓
Develop Internal Use Software strategy.	✓
Identify projects currently under development that need to be capitalized after September 30, 2016.	09/2016
Accumulate and report software in development.	12/2016

Accomplishments

- Initiated to-be lifecycle development.
- Established a DON Internal Use Software Instruction.

Challenges

- DoD Internal Use Software Instruction not yet released.

Valuation – Inventory and Related Property (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	✓

Accomplishments

- Mapped financial reporting processes and systems.
- Designed engineering change proposals to correct deficiencies within Navy ERP data extractions.

Challenges

- None

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Develop corrective action plans.	07/2016
Implement corrective action plans.	12/2016
Validate moving average cost calculation.	03/2017

Accomplishments

- Mapped financial reporting processes and systems.
- Designed engineering change proposals to correct identified deficiencies within Navy ERP data extractions.

Challenges

- Lack of accounting and financial reporting standard operating procedures.
- Reporting approach for performance-based logistics contracts accrued expenses.
- Multiple systems changes required to refine valuation methodology.

IT Systems Critical to Audit

The Navy IT systems environment includes numerous legacy systems supporting business operations across multiple Budget Submitting Offices and Echelon II Commands. Navy efforts to ensure audit readiness for financial systems include both short- and long-term approaches.

The Navy is continuing to consolidate data center operations to reduce IT control assessment requirements at the database and operating-system levels. Simultaneously, the DON continues to find opportunities to reduce the number of legacy systems to consolidate application controls. To achieve this goal, the DON oversees the initiation, reduction, consolidation, migration, and retirement of IT systems impacting audit readiness. The DON has created a financial information system working group to involve stakeholders in the decision process and ensure cooperation and collaboration between IT and financial management.

Since 2012, the Navy has worked aggressively to identify control deficiencies across all material financial systems. The goal is to employ a risk-based approach to immediately assess the audit readiness of key systems and develop corrective action plans to remediate control deficiencies. Outside assessment teams led by experienced IT audit professionals assessed critical IT general and application-level controls. The teams identified 696 IT control deficiencies across the 32 systems identified as critical; 276 (40 percent) have been remediated and closed. 80 percent have been remediated but not yet closed; and the Navy projects 95 percent completion by September 30, 2016.

Additionally, the DON has instituted efforts to synchronize the transition from DIACAP to the risk management framework with audit readiness goals. To accomplish this goal, the DON CIO and ASN(FM&C) jointly developed enterprise IT control standards covering all 18 control families (National Institute of Standards and Technology Special Publication 800-53). These IT control supplemental guidance publications outline for system owners a set of standards for effective IT control activities for financially-relevant systems and provide the overall framework for designing, implementing, and operating effective systems controls. This initiative focuses on critical IT controls that system owners need to implement to sufficiently mitigate risks in their operating environments and satisfy audit requirements identified in the FY 2015 SBA IT NFRs. In addition, the Navy is implementing a monitoring program to provide oversight of this process and ensure an audit-ready IT control environment.

IT Systems Status

Immediately following are critical capabilities charts for IT Controls containing the dates for achieving the capability, accomplishments, and challenges. Figure IV-6 presents more information on the status of systems material to Navy audit readiness.

Information Technology

General Fund

Critical Capability	Completion
A) Implement critical information technology general and application controls for material, financially- relevant systems.	04/2019
Interim Milestones	
Deliver 100% of deal breaker documentation for all material, financially- relevant General Fund and Working Capital Fund systems.	✓
Implement critical IT general and application-level controls across the IT portfolio culminating in 2019 with complete implementation of the risk management framework:	04/2019
Implement corrective actions for 50% of the FY 2015 SBA IT NFRs.	06/2016
Implement corrective actions for 75% of the FY 2015 SBA IT NFRs.	12/2016
Implement corrective actions for 85% of the FY 2015 SBA IT NFRs.	09/2017
Implement corrective actions for 95% of the FY 2015 SBA IT NFRs.	06/2018
Implement corrective actions for 100% of the FY 2015 SBA IT NFRs.	04/2019

Accomplishments

- Identified 29 material, financially-relevant systems key to the Statement of Budgetary Resources and mission-critical assets existence and completeness for the General Fund. (Note: 6 of these systems are used by the Working Capital Fund).

Working Capital Fund

Critical Capability	Completion
A) Implement critical information technology general and application controls for material, financially- relevant systems.	04/2019
Interim Milestones	
Deliver 100% of deal breaker documentation for all material, financially- relevant General Fund and Working Capital Fund systems.	✓
Implement critical IT general and application-level controls across the IT portfolio culminating in 2019 with complete implementation of the risk management framework:	04/2019
Implement corrective actions for 50% of the FY 2015 SBA IT NFRs.	06/2016
Implement corrective actions for 75% of the FY 2015 SBA IT NFRs.	12/2016
Implement corrective actions for 85% of the FY 2015 SBA IT NFRs.	09/2017
Implement corrective actions for 95% of the FY 2015 SBA IT NFRs.	06/2018
Implement corrective actions for 100% of the FY 2015 SBA IT NFRs.	04/2019

Accomplishments

- Identified 8 material, financially-relevant systems key to the Statement of Budgetary Resources and mission-critical assets existence and completeness for the Working Capital Fund. (Note: 6 of these systems are also relevant to General Fund).

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- Identified 696 total corrective actions for all material, financially-relevant systems for Working Capital Fund, General Fund, or both. 675 of these corrective actions apply to General Fund systems.
- Remediated and closed 275 of 675 General Fund corrective actions for General Fund systems.
- Delivered 100 percent of the FIAR Guidance deal breakers to the OUSD(C) for all Working Capital Fund and General Fund systems.
- Developed DON enterprise IT controls standards covering all 18 control families (National Institute of Standards and Technology Special Publication 800-53).
- Developed a monitoring strategy to sustain IT control improvements and synchronize future efforts with the transition from DIACAP to the risk management framework.

Challenges

- Identifying resources to support the identification of IT control deficiencies and implement corrective actions for a large number of legacy systems.
- Educating and training the IT system program management workforce on the FISCAM control standard methodology.

- Identified 696 corrective actions for all material, financially-relevant systems for Working Capital Fund, General Fund, or both. 232 of the corrective actions apply to Working Capital Fund systems.
- Remediated and closed 80 of 232 Working Capital Fund corrective actions for financially-relevant Working Capital Fund systems.
- Delivered 100 percent of the OUSD(C) deal breakers to OUSD(C) for all Working Capital Fund and General Fund systems.
- Developed DON enterprise IT controls standards covering all 18 control families (National Institute of Standards and Technology Special Publication 800-53).
- Developed a monitoring strategy to sustain IT control improvements and synchronize future efforts with the transition from DIACAP to the risk management framework.

Challenges

- Identifying resources to support the identification of IT control deficiencies and implement corrective actions for a large number of legacy systems.
- Educating and training the IT system program management workforce on the FISCAM control standard methodology.

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Figure III-6. Systems Material to Navy Audit Readiness (✓ = Completed)

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Statement of Budgetary Resources – Department of the Navy Systems									
CFMS-CNIC	Contract Vendor Pay; Financial Statement Compilation and Reporting; Funds Receipt and Disbursement; Financial Statement Compilation and Reporting; Military Standard Requisition Issue Procedure; Reimbursable Work Orders	Navy	Navy	✓	✓	✓	✓	✓	✓
CFMS-FFC	Financial Statement Compilation and Reporting; Funds Receipt and Disbursement; Military Standard Requisition Issue Procedure; Reimbursable Work Orders	Navy	Navy	✓	✓	✓	✓	✓	✓
CFMS-PACFLT	Funds Receipt and Disbursement; Military Standard Requisition Issue Procedure; Reimbursable Work Orders; Transportation of People	Navy	Navy	✓	12/2016	✓	12/2016	✓	12/2016
CIRCUITS	Contract Vendor Pay	Navy	Navy	✓	✓	✓	✓	✓	✓
FASTDATA	Contract Vendor Pay; Financial Statement Compilation and Reporting; Funds Receipt and Disbursement; Military Standard Requisition Issue Procedure; Reimbursable Work Orders	Navy	Navy	✓	✓	✓	✓	✓	✓
FIS 2.0	Contract Vendor Pay; Financial Statement Compilation and Reporting; Funds Receipt and Disbursement; Reimbursable Work Orders	Navy	DISA	✓	09/2016	✓	✓	✓	09/2016
FMS-NG	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Funds Receipt and Disbursement; Financial Statement Compilation and Reporting; Military Standard Requisition Issue Procedure; Reimbursable Work Orders	Navy	Navy	✓	✓	✓	✓	✓	✓

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
IMPS	Fund Balance with Treasury; Funds Receipt and Disbursement; Transportation of People	Navy	Navy	✓	12/2016	✓	12/2016	✓	12/2016
MAJIC	Military Pay	Navy	Navy	✓	✓	✓	✓	✓	✓
Navy ERP	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Financial Statement Compilation and Reporting; Funds Receipt and Disbursement; Military Standard Requisition Issue Procedure; Reimbursable Work Orders; Transportation of Things; Transportation of People	Navy	Navy	✓	12/2017	✓	✓	✓	12/2017
NES	Military Pay	Navy	DISA	✓	✓	✓	✓	✓	✓
NROWS	Transportation of People	Navy	Navy	✓	08/2016	✓	✓	✓	08/2016
NSIPS	Military Pay	Navy	Navy	✓	✓	✓	✓	✓	✓
OPINS	Military Pay	Navy	DISA	✓	✓	✓	✓	✓	✓
PBIS	Fund Balance with Treasury; Funds Receipt and Disbursement; Financial Statement Compilation and Reporting	Navy	Navy	✓	✓	✓	✓	✓	✓
RHS	Military Pay	Navy	Navy	✓	✓	✓	✓	✓	✓
RIMS-FM	Military Pay	Navy	Navy	✓	✓	✓	✓	✓	✓
RSUPPLY	Military Standard Requisition Issue Procedure	Navy	Navy	✓	12/2016	✓	✓	✓	12/2016
SEAPORT	Contract Vendor Pay	Navy	Navy	✓	✓	✓	✓	✓	✓
SLDCADA	Civilian Pay	Navy	DISA	✓	06/2016	✓	✓	✓	06/2016
SPS ^{1,3}	Contract Vendor Pay	Navy	Navy	✓	✓	✓	✓	✓	✓
SYMIS-COST (COST MF) ⁴	Contract Vendor Pay	Navy	Navy	✓	✓	✓	✓	✓	✓
Mission-Critical Assets Existence and Completeness – Department of the Navy Systems									
CMLS	General Equipment; Inventory; Operating Materials and Supplies	Navy	Navy	✓	✓	✓	✓6	✓	✓

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
DECKPLATE	Operating Materials and Supplies; General Equipment	Navy	Navy	✓	09/2016	✓	✓	✓	09/2016
EXMIS	General Equipment; Operating Materials and Supplies	Navy	Navy	✓	09/2016	✓	✓	✓	09/2016
FIS 2.0	Real Property; Construction in Progress	Navy	DISA	✓	09/2016	✓	✓	✓	09/2016
IMPS	General Equipment; Real Property; Operating Materials and Supplies	Navy	DISA	✓	12/2016	✓	12/2016	✓	12/2016
INFADS	Real Property; Construction in Progress	Navy	Navy	✓	06/2016	✓	✓	✓	06/2016
MATMF	Operating Materials and Supplies	Navy	Navy	✓	09/2016	✓	09/2016	✓	09/2016
MAXIMO	General Equipment	Navy	Navy	✓	06/2016	✓	✓	✓	06/2016
Navy ERP	General Equipment; Inventory; Operating Materials and Supplies; Real Property	Navy	Navy	✓	12/2017	✓	✓	✓	12/2017
OIS	Operating Materials and Supplies	Navy	DISA	✓	06/2016	✓	✓	✓	06/2016
RSUPPLY	Inventory; Operating Materials and Supplies	Navy	Navy	✓	12/2016	✓	✓	✓	12/2016
SEMS-SERMIS	General Equipment	Navy	Navy	✓	12/2016	✓	✓	✓	12/2016
SWALIS	General Equipment	Navy	Navy	✓	09/2016	✓	09/2016	✓	09/2016
Statement of Budgetary Resources – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Civilian Pay; Contract Vendor Pay; Military Pay; Permanent Change of Station; Reimbursable Work Orders; Transportation of People; Transportation of Things	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
BAM (Insourcing)	Contract and Vendor Pay Improper Payments for: One Pay; CAPSW; IAPS; EBS & MOCAS; Reimbursable Work Orders	DFAS	DFAS	✓	✓	✓	✓	09/2017	09/2017
BEIS: DDRS-AFS ²	Fund Balance with Treasury; Financial Statement Compilation and Reporting	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
BEIS: DDRS-B ²	Fund Balance with Treasury; Funds Receipt and Disbursement; Financial Statement Compilation and Reporting	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
BEIS: DDRS-DCM ²	Financial Statement Compilation and Reporting	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
DAAS/GEX	Contractual Services and Acquisition of Assets; Military Pay	DLA	DLA	✓	✓	✓	✓	TBD	TBD
DCPDS	Civilian Pay	DCPAS	Commercial Vendor	✓	✓	✓	✓	TBD	TBD
DCPS	Civilian Pay; Financial Statement Compilation and Reporting	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
DJMS-AC	Military Pay	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
DJMS-RC	Military Pay	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
DMO (Web)	Military Pay	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
DSS	Transportation of Things	DLA	DISA	✓	✓	✓	✓	09/2017	09/2017
DTS	Transportation of People	DMDC	Commercial Vendor	✓	✓	✓	✓	09/2017	09/2017
EAS	Contractual Services & Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
eTOOLS	Contractual Services & Acquisition of Assets:	DCMA	DCMA	✓	✓	✓	✓	09/2017	09/2017
EUD (APVM/PPVM)	Contractual Services & Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
GEX	Contract Vendor Pay; Transportation of People	DLA	DLA	✓	✓	✓	✓	09/2017	09/2017
iRAPT	Contract Vendor Pay; Transportation of Things	DLA	DISA	✓	✓	✓	✓	✓	✓
MOCAS	Contractual Services& Acquisition of Assets	DCMA	DISA	✓	✓	✓	✓	09/2017	09/2017
		DFAS		✓	✓	✓	✓	09/2017	09/2017
SCRT	Contractual Services and Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Statement of Budgetary Resources – Service Provider Systems (Non-SSAE No. 16 Examinations)									
BAM	Contract and Vendor Pay Improper Payments for: One Pay; CAPSW; IAPS; EBS & MOCAS; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	09/2017	09/2017
BEIS: DCAS	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Financial Statement Compilation and Reporting; Military Pay; Military Standard Requisition Issue Procedure; Permanent Change of Station; Reimbursable Work Orders; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	07/2016
DOD EMALL	Military Standard Requisition Issue Procedure	DLA	DISA	✓	✓	✓	✓	09/2017	09/2017
DWAS	Command Close and Adjustments; Contract and Vendor Pay; Funds Receipt and Disbursement; Financial Statement Compilation and Reporting; Fund Balance with Treasury; Military Standard Requisitioning Issue Procedures; Reimbursable Work Orders; and Transportation of People and Transportation of Things	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
EBS	Military Standard Requisition Issue Procedure	DLA	DISA	✓	✓	✓	✓	09/2017	09/2017
EDA	Contract Vendor Pay	DLA	DISA	✓	✓	✓	✓	09/2017	09/2017
FMD	Military Standard Requisition Issue Procedure	DLA	DISA	✓	✓	✓	✓	09/2017	09/2017
GAFS-DTS	Transportation of People; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
One Pay	Military Standard Requisition Issue Procedure; Permanent Change of Station; Transportation of People; Transportation of	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Department of the Navy	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
	Things; Balance Sheet								
STARS-FL	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Funds Receipt and Disbursement; Financial Statement Compilation and Reporting; Military Standard Requisition Issue Procedure; Military Pay; Permanent Change of Station; Reimbursable Work Orders; Transportation of People; Transportation of Things	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
STARS-HCM	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Funds Receipt and Disbursement; Financial Statement Compilation and Reporting; MILSTRIP; Reimbursable Work Orders; Transportation of People	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
STORES	Military Standard Requisition Issue Procedure	DLA	DISA	✓	✓	✓	✓	09/2017	09/2017
VISTA	Military Standard Requisition Issue Procedure; Funds Balance with Treasury	DFAS	DISA	✓	✓	✓	✓	09/2017	09/2017
Mission-Critical Assets Existence and Completeness – Service Provider Systems (SSAE No. 16 Examinations)									
DAAS/GEX	General Equipment; Inventory; Operating Materials and Supplies	DLA	DLA	✓	✓	✓	✓	09/2017	09/2017
DPAS	Military Equipment; General Equipment	AT&L	DISA	✓	✓	✓	✓	09/2017	09/2017
DSS	Inventory; Operating Materials and Supplies	DLA	DISA	✓	✓	✓	✓	09/2017	09/2017
Mission-Critical Assets Existence and Completeness – Service Provider Systems (Non-SSAE No. 16 Examinations)									
LMP	Contractual Services and Acquisition of Assets; Reimbursable Work Orders - Army	Army	Army	N/A	N/A	✓	✓	✓	✓

¹ SPS is a DLA system used independently by Navy Commands.

² DDRS System owned by DLA; audit readiness owned by DFAS.

³ SPS has 5 user instances in scope: SPS NAVAIR, SPS NAVFAC, SPS NAVSEA, SPS SPAWAR, and SPS NAVSUP. Data center and DITPR ID listed are for SPS NAVSEA.

⁴ SYMIS COST has 4 material instances at Naval Shipyards in Hawaii, Maine, Virginia, and Washington.

NAVY AUDIT READINESS RESOURCES

Despite challenging budget times, substantial resources have been programmed to support achieving auditable financial statements. The audit readiness activities funded by the amounts in Figure III-7 include:

Audit Readiness, Validations, and Audits

- Completing evaluation, discovery, and corrective actions of the commands and their service providers (e.g., DFAS).
- Testing or verifying audit readiness after completing corrective actions and preparing management assertions.
- Supporting audit infrastructure to sustain audit readiness and support IPA audits, including tools and data repositories.

Financial Systems

- Designing, developing, and deploying audit-ready compliant systems as well as cost-effective changes to legacy systems that will be part of the systems environment.
- Converting and validating data, implementing and testing controls, and documenting systems and processes.

Because ERPs are being deployed to modernize functional as well as financial processes, ERP system deployment costs are not included in audit readiness resources. ERP costs are reported in Section VII, Enterprise Resource Planning Systems. Additionally, changes and improvements to functional and financial processes are continually being made for operational efficiencies and improving controls. The Department has not attempted to capture the costs of process changes made solely for audit readiness, and therefore, resources reported below may not fully capture process improvement costs.

Figure III-7. Navy Audit Readiness Resources (Dollars in Millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Audit Readiness, Validations, and Audits	133	164	170	166	160	155
Financial Systems	65	61	61	55	51	50
Total Resources	198	225	231	221	211	205

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U.S. Marine Corps (USMC) Audit Readiness

The Marine Corps continues to plan for an audit of all four financial statements and the required notes and disclosures in FY 2017. Although aggressive, the Marine Corps continues to make progress to meet this goal and has identified the tasks and milestones that must be accomplished prior to October 1, 2016, and sustained while under audit and in subsequent years.

The Marine Corps audit readiness approach follows the FIAR Guidance for incrementally achieving audit readiness. Financial managers continue to reconcile proprietary and budgetary accounts and transaction universes across the General Fund financial statements, and identify and remediate gaps in required notes, disclosures, and supplementary information in preparation for audit.



A Marine Corps MV-22 Osprey tiltrotor aircraft hovers over the desert before departing from Marine Corps Air Ground Combat Center Twenty-nine Palms, Calif., Feb. 15, 2016, for an Integrated Training Exercise 2-16 training mission. (Air Force photo by Tech. Sgt. Efrén Lopez)

The General Fund financial statements and notes are prepared by DFAS, but require assessment, corrective action, and validation by the Marine Corps prior to going under audit.

The Marine Corps financial statement effort does not include Working Capital Fund activities. These activities are reported within the DON Working Capital Fund financial statements. When the Navy reaches full financial statement auditability, the Marine Corps General Fund financial statements will be combined with the Navy General Fund financial statements and will be audited as part of the DON financial statements.

The Marine Corps is engaged in significant work across the organization to prepare for the FY 2017 financial statement audit. The Marine Corps developed a prioritized, risk-based approach to achieve audit success under this aggressive timeline. The Marine Corps is focused on producing fully reconciled financial statements and disclosures that will be presented fairly and free from material error. Applying lessons learned from multiple years of SBA and SBR audits, the Marine Corps recognizes the importance of complete transaction universes supported and reconciled to source IT systems.

Figure III-8 shows the dates when corrective actions will be completed and when the FY 2017 financial statement audit will start.

Figure III-8. USMC General Fund Financial Statements

Financial Statements	Post-Validation Corrective Actions Complete	Audit Start
Statement of Budgetary Resources	09/2016	10/2016
Balance Sheet	09/2016	10/2016
Statement of Net Costs	09/2016	10/2016
Statement of Changes in Net Position	09/2016	10/2016

STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources and related disclosures present the receipt and execution of USMC budgetary resources. Audits of the Marine Corps FY 2010 and FY 2011 Statements of Budgetary Resources identified the difficulties in supporting opening balances. Based on the results of those audits, a schedule of current year budgetary activity, or SBA, was developed. Since FY 2012, the Marine Corps has been undergoing annual SBA audits.

The SBA was designed to allow the Marine Corps to undergo an audit of its current year budgetary activity without the need to support beginning balances and to build auditable opening balances in preparation for a Statement of Budgetary Resources audit. This approach was adopted by the Military Services and other Defense organizations.

After the FY 2012 SBA audit, the DoD OIG issued an unmodified audit opinion. In FY 2014, the DoD OIG discovered that Treasury holding accounts (suspense accounts) managed by DFAS were not included in the SBA audit and withdrew its opinion. In March 2016, the DoD OIG completed an audit of the suspense accounts, and the Marine Corps is waiting for the DoD OIG to issue a report and provide any findings and recommendations. The Marine Corps is prepared to remediate any findings and recommendations in preparation for the financial statement audit in FY 2017.

FY 2015 – SBA Audit

An audit of the Marine Corps' FY 2015 SBA began in September 2015. Control and substantive testing began in January 2016. However, the DoD OIG issued a stop work order to the IPA in March 2016, and the Marine Corps is waiting for direction from DoD OIG, or a report from the IPA.

SBA Notices of Findings and Recommendations

To ensure appropriate corrective action is taken to address audit findings and recommendations, the Deputy Commandant for Programs and Resources (DC P&R), Headquarters, U.S. Marine Corps (HQMC), reorganized the Risk and Compliance Branch (RFK) to assign responsibility for corrective actions, monitor progress, and test results. The reorganization also established the foundation for improving the Marine Corps Managers' Internal Control Program to sustain business process and IT improvements necessary to sustain auditability.

The RFK is documenting progress by coordinating and tracking actions to remediate audit NFRs. The RFK also collects notices of material weaknesses and reportable conditions received in the Marine Corps annual Statement of Assurance. The RFK is conducting risk analyses and issuing a risk rating for each NFR, material weakness, and reportable condition, based on priority and level of effort needed to correct the issue.

After functional stakeholders develop corrective action plans to remediate findings, RFK monitors progress and completion dates. The RFK also keeps Marine Corps leadership informed on progress in achieving and sustaining the Marine Corps goal of annual unmodified opinions.

Figure III-9 identifies high-priority NFRs that have resulted in material weaknesses for Marine Corps business processes and IT systems. The Marine Corps is aggressively implementing corrective actions to address the root cause of the deficiencies and improve financial management processes.

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Figure III-9. USMC Material Weaknesses and Notices of Findings and Recommendations (✓ = Completed)

Material Weaknesses	Corrective Actions	Completion
Financial Reporting		
Offline Requisitions - Internet-ordering platforms lack adequate controls or do not interface with the accounting system.	A number of policies and internal controls have been implemented to address this weakness, including publishing the following policies: Marine Corps Order 4400.150 Consumer Level Supply Policy, Navy Marine Corps 4000.5 Supply Officers' Internal Control Handbook, and Naval Message CMC WASHINGTON DC L/DTG021102Z OCT 14/Notification of Findings and Recommendations (NFR) 1-14.	06/2016
Timely Recording of Obligations - Due to some enterprise-wide systems and business practices, delays in recording obligations persist.	A number of policies and internal controls have been implemented to address this weakness, including publishing the following policies: Marine Corps Order 4400.150 Consumer Level Supply Policy, Navy Marine Corps 4000.5 Supply Officer's Internal Control Handbook, and Naval Message CMC WASHINGTON DC L/DTG021102Z OCT 14/Notification of Findings and Recommendations (NFR) 1 – 14. Additionally, the Deputy Commandant for Installations and Logistics is conducting the following internal controls reviews: MILSTRIP Tri-Annual Review, MILSTRIP Quality Assurance Review, MILSTRIP Internal Controls Self Assessments, and FIAR internal control testing.	09/2016
IT Systems		
Standard Accounting, Budgeting and Reporting System (SABRS) – Various IT control findings.	There are eight outstanding findings for SABRS that have not been completely remediated. The corrective actions for the findings are in various stages of progress and require the following actions to close them out completely: system change requests, system integration testing, system acceptance testing, updating policies and procedures, and final testing by an IPA. SABRS management continues to make progress addressing corrective actions.	09/2016
Marine Corps Total Force System (MCTFS) – Various IT control findings.	There are three findings for MCTFS that have not been remediated. MCTFS management team continues to implement and monitor corrective actions identified in their plan of action and milestones to address the internal control findings. The MCTFS team successfully remediated 6 findings in FY 2011, 4 findings in FY 2012, 5 findings in FY 2013, and 10 findings in FY 2014.	09/2016

FY 2016 and FY 2017 Audits

The Marine Corps is incorporating lessons learned and improvements resulting from prior year SBA audits to prepare for supporting beginning balances reported in the FY 2017 Statement of Budgetary Resources. This will allow the Marine Corps to focus efforts on achieving existing audit readiness milestones by September 30, 2016, while planning and responding to FY 2017 audit inquiries.

The Marine Corps FY 2017 full financial statement audit will include multiple base years, as well as an examination of Fund Balance with Treasury for all fiscal year appropriations and an examination of budgetary to proprietary (Treasury Tie Points) reconciliations in addition to the FY 2017 full financial statement audit. The FY 2017 full financial statement audit is projected to begin in July 2016 and continue through the beginning of FY 2018. This timeline will allow the IPA to extend its planning phase during the base contract year, which should make the audit process more effective.

The Marine Corps will be prepared to support several auditor activities during an extended planning phase, including providing process and control narratives, supporting process walkthroughs at HQMC and field locations, responding to discovery internal control or substantive samples (not statistical samples but limited judgmental samples), and responding to auditor queries.

An early start to the FY 2017 audit using task orders to cover Fund Balance with Treasury and tie-point reconciliation examinations will optimize the cost of the audit from both an audit support and readiness perspective. Cost savings are achieved by:

- USMC receiving feedback on Fund Balance with Treasury based on the IPA's early start of test procedures will result in savings during the FY 2017 Fund Balance with Treasury audit.
- USMC, DON, and DFAS receiving early feedback on the Treasury tie-point reconciliation process by the IPA. This will be

the first independent evaluation of this process and could provide a method that the other Military Services could adopt.

Risks to Successful FY 2016 and FY 2017 Audits

The Marine Corps continues to remediate beginning balances prior to the FY 2017 full financial statement audit. As part of this activity, financial managers have increased their focus on improving the effectiveness of the tri-annual review process to identify, validate, and adjust invalid, unliquidated obligations.

Fund Balance with Treasury reconciliation is under audit as part of the SBA audits, and the Marine Corps continues to achieve incremental improvements to Fund Balance with Treasury reconciliations. In addition, Marine Corps leadership identified the risks that could negatively affect future audit opinions. While not full impediments, these risks, if unmitigated, could potentially derail many of the gains made during the last four years of SBA audits:

- Service provider SSAE No. 16 examinations may be improperly scoped or may not provide sufficient detail to allow Marine Corps' auditors to rely on controls.
- The Marine Corps has been an active participant in intergovernmental and intragovernmental working groups in support of implementing Treasury IPP. However, IPP will not be fully available to the Marine Corps or its business partners until each business partner implements the same process changes. The Marine Corps accounting branch developed a manual process to mitigate this risk, but it may not identify and reconcile all relevant transactions.
- Suspense accounts identified during the FY 2014 SBA audit remain an area of concern. DFAS has made progress in improving the management of these accounts, and the Marine Corps has improved oversight.

BALANCE SHEET

The Marine Corps continues to make significant progress in preparing Operating Materials and Supplies and Plant, Property, and Equipment for an audit readiness assertion. In addition to remediating the transactions that make up the underlying USSGL Balance Sheet accounts, the Marine Corps is addressing the compilation and reporting processes that generate the Balance Sheet. Focus is being put on reconciling feeder systems and data populations, properly supporting journal vouchers, and clearly distinguishing the scope of Marine Corps assets from those of the DON.

Additionally, several critical Balance Sheet lines will be positively affected by Statement of Budgetary Resources remediation efforts, as they are closely related to budgetary accounts and processes, including Fund Balance with Treasury, Accounts Receivable, and Accounts Payable. However, these areas still require additional work to achieve full auditability.

Progress Since the November 2015 FIAR Report

Highlights of Marine Corps progress since the November 2015 FIAR report include:

- Made progress in accumulating real property values for capitalized real property assets, accumulating supporting documentation for placed-in-service dates, and recording information in the accountable property system of record.
- Completed audit readiness and support MOU with NAVFAC and initiated control validations for complimentary user entity controls.
- Implemented corrective actions that are helping achieve a complete and supportable universe of assets for each major Balance Sheet line for existence and completeness.

- Began efforts that affect the go-forward process, such as capturing Construction in Progress but significant support for accelerated timelines from the OUSD(C) is still required.

Challenges to Audit Readiness by September 30, 2017

While the Marine Corps has made progress toward audit readiness, challenges remain, such as:

- Reliance on NAVFAC to support DD Form 1354s for the transfer of military construction assets to the USMC and accurately capture Construction in Progress activity. External validation of information provided to USMC by NAVFAC will not be completed prior to the Marine Corps audit starting in FY 2017.
- Reliance on service provider performance, such as NAVFAC providing source documentation for Real Property valuation; Army supporting existence, completeness, rights, and valuation of USMC ordnance in its possession; and DFAS management of suspense accounts and journal voucher support.
- Extensive MOCAS system modifications are required to develop an auditable Construction in Progress balance and value assets in accordance with federal accounting standards. The Marine Corps engaged the OUSD(AT&L) and MOCAS PMO to develop a go-forward approach for Construction in Progress for General Equipment, but the modifications may not occur in time to support the USMC audit.
- Marine Corps systems are not configured to value Operating Materials and Supplies at Moving Average Cost, and a process has been initiated to identify an GAAP-compliant alternative valuation method.

MARINE CORPS GENERAL FUND AUDIT READINESS CRITICAL CAPABILITIES

The Marine Corps is focused on high-risk areas and critical capabilities identified by the Department. The critical capabilities include:

- Universe of Transactions
- Fund Balance with Treasury
- Journal Vouchers
- Existence, Completeness, and Rights and Obligations of Assets
- Valuation of Assets
- Environmental and Disposal Liabilities
- IT Controls

Figure III-10 provides the U.S. Marine Corps General Fund completion dates for each critical capability. Following Figure III-10 are charts for each critical capability, except IT Controls, containing the dates for achieving the capability, accomplishments, and challenges. Information on IT Controls and systems material to audit begins on page III-82.

FIAR Plan Status Report

Figure III-10. USMC General Fund Audit Readiness Critical Capabilities (✓ = Completed)

Marines Corps – General Fund		Completion	Validation
Universe of Transactions	Statement of Budgetary Resources	09/2016	9/2016
	Balance Sheet	09/2016	9/2016
Fund Balance with Treasury		✓	✓
Journal Vouchers		09/2016	09/2016
Existence, Completeness, and Rights and Obligations of Assets	Real Property (including Construction in Progress)	09/2016	09/2016
	General Equipment	09/2016	09/2016
	Internal Use Software	09/2016	09/2016
	Inventory and Related Property	09/2016	09/2016
Valuation of Assets	Real Property (including Construction in Progress)	09/2016	09/2016
	General Equipment	09/2016	09/2016
	Internal Use Software	09/2016	09/2016
	Operating Materials and Supplies	09/2016	09/2016
Environmental Liabilities	DERP	09/2016	09/2016
	Non-DERP	09/2016	09/2016
IT Controls		03/2017	06/2017

Universe of Transactions – Schedule of Budgetary Activity (General Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting systems.	✓

Accomplishments

- FIAR activity completed for the SBA in FY 2012.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	09/2016
Interim Milestones	
Identify significant feeder systems.	✓
Evaluate and document interface type and transaction volume.	✓
Complete feeder to core system reconciliations for all required feeder and source systems.	09/2016

Accomplishments

- Strengthened feeder to core accounting system reconciliation processes. On track for 09/2016 completion.

Challenges

- Changing systems not owned by the USMC to strengthen feeder to core accounting system interfaces.
- Receiving timely and complete data from feeder system not owned the USMC.

Universe of Transactions – Statement of Budgetary Resources (General Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting systems.	✓

Accomplishments

- FIAR activity completed for the SBR.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	09/2016
Interim Milestones	
Identify significant feeder systems.	✓
Evaluate and document interface type and transaction volume.	✓
Complete feeder to core system reconciliations for all required feeder and source systems.	09/2016

Accomplishments

- Continued to strengthen feeder to core accounting system reconciliation processes. On track for 09/2016 completion.

Challenges

- Changing systems not owned by the USMC needed to strengthen feeder to core accounting system interfaces.
- Receiving timely and complete data from feeder system not owned the USMC.

Universe of Transactions – Balance Sheet (General Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	09/2016
Interim Milestones	
Reconcile Real Property transactions to the financial statements.	✓
Reconcile General Equipment and Operating Materials and Supplies detail in asset management systems to the financial statements.	✓
Fully reconcile transaction data for all financial statement accounts.	09/2016

Accomplishments

- Obtained initial query from NAVFAC for iNFADS data. Identified reconciling items and query refinement continues.
- Reconciled existing general equipment assets to the financial statements from DPAS.
- Reconciled Operating Materials and Supply asset data in GCSS-MC to the financial statements.

Challenges

- iNFADS data and query processing require refinements that do not occur quickly.
- Recording Operating Materials and Supplies transactions in the correct general ledger requires system enhancements and remediation.
- Acquisition costs are not currently recorded in Construction in Progress accounts for Military and General Equipment.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	09/2016
Interim Milestones	
Reconcile General Equipment and Operating Materials and Supplies detail in asset management systems to feeder and source systems.	09/2016
Complete feeder to core system reconciliations for all required feeder and source systems.	09/2016

Accomplishments

- Continued efforts to reconcile source and originating systems to the core accounting system.

Challenges

- Relying on NAVFAC to timely and completely reconcile values to ensure real property assets are valued accurately.
- Receiving timely and complete data from feeder system owners that are not part of the USMC.

Fund Balance with Treasury (General Fund)

Critical Capability	Completion
A) Process and tools to identify, age, and resolve differences between the general ledgers (proprietary and budgetary) and Treasury (at voucher-level).	✓

Accomplishments

- Continued performing control activities and monitoring to sustain an auditable environment.

Critical Capability	Completion
B) Process and tools to identify, age, and resolve transactions posted to budget clearing accounts within 60 days (suspense accounts).	✓

Accomplishments

- DFAS completed tasks to identify, age, and resolve transactions posted to Budget Clearing Accounts (suspense accounts) within 60 days.

Challenges

- DFAS corrective actions have not been validated by auditors.
- DoD OIG audit report on suspense reports has not been issued, delaying receipt of NFRs and the development and implementation of corrective action plans.

Fund Balance with Treasury (General Fund)

Critical Capability	Completion
C) Process and tools to identify, age, and resolve transactions reported on Treasury's statements of differences within 30 days.	✓

Accomplishments

- Continued performing control activities and monitoring to sustain an auditable environment.

Critical Capability	Completion
D) Perform aging analysis and apply reconciliations backwards to any years possible.	✓

Accomplishments

- Continued performing control activities and monitoring to sustain an auditable environment.

Journal Vouchers (General Fund)

Critical Capability	Completion
Elimination Entries – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements related to intra-component and intra-departmental elimination entries.	09/2016
Interim Milestones	
Develop and execute an interim, manual reconciliation process until Treasury IPP is implemented across the USMC and its service providers.	09/2016

Accomplishments

- Developed a process to identify inter- and intragovernmental transactions requiring elimination.
- Started contacting service providers to obtain accurate and timely data to facilitate the elimination process.

Challenges

- Sellers do not provide timely and accurate responses to data requests.
- Treasury IPP system implementation timeline is beyond USMC audit timelines. USMC will complete required tasks to facilitate IPP functionality when IPP is ready for deployment.

Critical Capability	Completion
All Other Journal Vouchers – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements for all other journal vouchers.	✓

Accomplishments

- Continued performing control activities and monitoring to sustain an auditable environment.

Existence and Completeness – Real Property (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2016
Interim Milestones	
Confirm that all recorded assets exist and that all assets are recorded (capitalized assets).	08/2016
Strengthen and document processes and controls over recording and booking of assets.	09/2016

Accomplishments

- Completed 77 percent existence and completeness of capital assets on the Balance Sheet, and 69 percent of those assets have the needed supporting data and are ready for audit.
- Initiated ownership reviews to identify and segregate assets from Marine Corps records that do not belong to the Marine Corps, using support agreements with DoD, other federal and state, and private entities.

Challenges

- Assets near the capitalization threshold are under review, but all assets that fall into this category may not be fully evaluated by 09/2016.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2016
Interim Milestones	
Implement end-of-period review controls testing processes and HQMC controls testing.	✓
Implement periodic inventory process.	✓
Implement a repeatable quarterly reconciliation process, including a documented query to produce the population.	✓
Coordinate with NAVFAC to timely (within the quarter) capture all new assets, capital improvements, and disposals.	09/2016

Accomplishments

- Established policy with internal controls for new and disposed assets.
- Implemented quarterly control testing process, and completed corrective actions and record updates.

Challenges

- Relying on NAVFAC to support DD Form 1354s for the transfer of military construction and to accurately capture new assets, capital improvements, and disposals. If the DD Form 1354s are not timely transferred to the Marine Corps, asset records will not be updated timely (within the quarter).

Existence and Completeness – General Equipment (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2016
Interim Milestones	
Migrate Government Furnished Property to an APSR (DPAS).	09/2016
Complete wall to wall physical inventories.	09/2016
Complete existence and completeness testing to validate corrective actions.	09/2016

Accomplishments

- Completed wall-to-wall physical inventories for 80 percent of the Military Equipment portion of General Equipment.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2016
Interim Milestones	
Continue to implement corrective actions identified through testing procedures.	09/2016
Retest corrective actions to facilitate an auditable go-forward process.	09/2016

Accomplishments

- Tied the asset population certification and reporting process to Balance Sheet values and transactional-level detail.
- Published a *Supply Officer’s Internal Control Handbook* that requires semiannual internal control self-assessments.

Challenges

- Changing GFP contract clauses that must be made by procurement organizations.

Existence and Completeness – Internal Use Software (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2016
Interim Milestones	
Capture Internal Use Software baseline.	✓
Catalogue Internal Use Software.	06/2016
Report Internal Use Software in appropriate APSR.	09/2016

Accomplishments

- Released GENADMIN in 02/2016 documenting the requirement for reporting Internal Use Software in an accountable property system of record.
- Captured baseline of Internal Use Software systems and standalone applications and forwarded to property accountability process owners.

Challenges

- Identifying value of existing Internal Use Software, particularly standalone.
- Determining and implementing the processes to account, expense, and capitalize Internal Use Software.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2016
Interim Milestones	
Formalize process.	06/2016
Validate go-forward process.	09/2016

Accomplishments

- Identified stakeholders for oversight and process development.

Challenges

- Establishing accountability for Internal Use Software that is part of end-user devices.
- Establishing accountability for enterprise software licenses fielded to multiple organizations.

Existence and Completeness – Inventory and Related Property (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2016
Interim Milestones	
Migrate set assemblies into an APSR (DPAS).	09/2016
Complete physical inventories.	09/2016
Complete existence and completeness testing to validate corrective actions.	09/2016

Accomplishments

- Completed 90 percent of Operating Materials and Supplies wall-to-wall physical inventories.
- Completed 90 percent of existence and completeness testing, including internal control testing for ammunition and consumable and repairable assessable subunits.

Challenges

- Identifying and migrating to DPAS set assemblies not currently in an accountable property system of record.
- Reporting USMC ordnance managed by the Army and recorded in Ordnance Information System.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2016
Interim Milestones	
Continue to implement corrective actions identified through testing procedures.	09/2016
Retest corrective actions to facilitate an auditable go-forward process.	09/2016

Accomplishments

- Tied asset population certification and reporting process to Balance Sheet values and transactional-level detail.
- Published a *Supply Officer's Internal Control Handbook* that requires semiannual internal control self-assessments.
- Corrective action plans and NFRs continue to be monitored, validated, and closed out.

Challenges

- Reporting USMC ordnance managed by the Army and recorded in Ordnance Information System.

Valuation – Real Property (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	09/2016
Interim Milestones	
Confirm that asset values are recorded in the USMC APSRs and are supported with sufficient documentation.	09/2016
Validate or estimate placed in service dates of all capital Real Property.	09/2016
Perform alternative valuation.	09/2016

Accomplishments

- Modeled process for deriving the deemed cost valuation for beginning balances using a plant replacement valuation process.
- Began the process at installations for validating placed in service dates with supporting documentation for capital assets.

Challenges

- Based on acquisition documentation, changing the placed in service date in iNFADS, which does not allow for such changes.
- Evaluating all assets near the capitalization threshold by 09/2016.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2016
Interim Milestones	
Complete 100 percent review of all capitalized acquisitions and disposals during quarterly reviews.	✓
Stratify random sample of all transactional events within the Real Property APSR.	✓
NAVFAC validate Construction in Progress and go-forward valuation through an SSAE No. 16 review.	09/2016

Accomplishments

- Established a requirement that all capitalized acquisitions and disposals will be reviewed for accuracy and supporting documents each quarter. All other events will be reviewed by sample.
- Established quarterly internal control testing.

Challenges

- Relying on NAVFAC to support DD Forms 1354 for the transfer of military construction and to accurately capture Construction in Progress.
- Receiving timely final documentation (DD Form 1354) with the costs of new real property from service providers.

Valuation – General Equipment (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	09/2016
Interim Milestones	
Complete asset impairment analysis.	09/2016

Accomplishments

- Identified General Equipment requiring alternative valuation.

Challenges

- Identifying and adjusting the value of impaired General Equipment.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2016
Interim Milestones	
Reconcile capital improvement data.	09/2016
Establish Construction in Progress baseline.	09/2016
Validate new acquisitions are recorded, and Construction in Progress relieved, in compliance with SFFAS No. 6.	09/2016

Accomplishments

- Established an approach for tracking and correctly valuing capital improvements.
- Engaged OUSD(AT&L) and MOCAS PMO to develop a method for capturing Construction in Progress.

Challenges

- Identifying Construction in Progress costs, because the USMC cannot differentiate between contract financing and progress payments in MOCAS.
- Requiring extensive MOCAS system modifications to develop a Construction in Progress balance.
- Identifying and modifying guidance for valuing impaired assets.

Valuation – Internal Use Software (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	09/2016
Interim Milestones	
Establish the auditable baseline based on deemed cost as defined by pending FASAB exposure drafts.	09/2016

Accomplishments

- Established the requirement to expense baseline Internal Use Software in accordance with pending FASAB exposure drafts.

Challenges

- Developing the universe of Internal Use Software.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2016
Interim Milestones	
Enter Internal Use Software into an approved APSR.	06/2016
Develop a process to accurately tag and track Internal Use Software assets in development and recently deployed in line with accounting standards.	08/2016
Validate valuation methodology for go-forward process.	09/2016

Accomplishments

- Continued business process and data assessments to accurately capture software in the development process, leased software, and capital improvements to existing software.

Challenges

- Valuing Internal Use Software will be difficult due to the scope, long timelines, and upgrades to software.
- Universe of Internal Use Software is diverse and centralized repositories do not have required financial accounting data elements.
- Evaluating procedures to identify leased and impaired Internal Use Software.

Valuation – Inventory and Related Property (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	09/2016
Interim Milestones	
Implement the consumption method of accounting.	09/2016
Determine valuation methodology using SFFAS No. 48 options.	09/2016
Complete beginning balance activities.	09/2016

Accomplishments

- Tied asset population certification and reporting process to Balance Sheet values and transactional-level detail.
- Convened workgroups to determine the approach for beginning balances in accordance with SFFAS No. 48.

Challenges

- Operating Materials and Supplies systems do not have a GAAP-compliant valuation process and do not use the Consumption Method of accounting.
- Army holds a significant amount of USMC ordnance. Additional coordination and analysis will be required to validate and reconcile Ordnance Information System reported balances.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2016
Interim Milestones	
Review and determine valuation methodology.	06/2016
Continue financial reporting process improvements.	09/2016
Implement SFFAS No. 3 compliant valuation methodology.	09/2016

Accomplishments

- Published Marine Corps Order 4440, *Management of Operating Materials and Supplies and Government Furnished Equipment* and will be updated in 06/2016.
- Established a working group to develop an Operating Materials and Supplies valuation strategy that complies with SFFAS No. 3.

Challenges

- Modifying Operating Materials and Supplies financial reporting processes to comply with SFFAS No. 3.
- Developing and implementing a documented process for determining Net Realizable Value.
- Identifying other valuation options in compliance with SFFAS No. 3, since SFFAS No. 48 eliminated the Latest Acquisition Cost valuation method.

Environmental and Disposal Liabilities (General Fund)

Critical Capability	Completion
A) Establish an auditable process for estimating (identifying and valuing) and recording environmental and disposal liabilities.	09/2016
Interim Milestones	
Determine what environmental cleanup requirements are done above and beyond normal maintenance.	09/2016
Determine if unaccrued and unreported environmental liabilities exist for both Military and General Equipment.	09/2016
Obtain evidence of system validation and review for the OEL iNFADS module.	09/2016

Accomplishments

- Continued to work closely with NAVFAC to identify and validate the data universe for Other Accrued Environmental Liabilities.

Challenges

- Additional work is required to determine whether the Marine Corps should report an environmental liability for weapon systems and General Equipment.
- An accountable property system of record does not exist for General Equipment attached to Real Property assets that may have an associated Environmental Liability.
- Identification of the universe of Environmental Liabilities is in the process, and the entirety of the value is unknown.

IT Systems Critical to Audit

Important to achieving audit readiness, the Marine Corps has developed an internal control test plan for performing FISCAM reviews of key and material Marine Corps-owned financial systems. Such reviews will determine the effectiveness of general and application-level IT controls, as well as assist in early detection and remediation of system deficiencies. Furthermore, in addition to control testing, the Marine Corps has undergone an annual IPA SBA audit since FY 2010, providing IPA identified IT issues and deficiencies that the Marine Corps has been remediating.

In preparation for the FISCAM assessments, the Programs and Resources (P&R), Risk and Compliance Branch (RFK) conducted an internal materiality assessment to identify systems key and material to audit readiness, as well as the Marine Corps audit. As a result of this assessment, 12 systems were identified as the most material:

- Standard Accounting, Budgeting and Reporting System (SABRS)
- Defense Departmental Reporting System (DDRS)
- Defense Cash Accountability System (DCAS)
- Mechanization of Contract Administration Services (MOCAS)
- Marine Corps Total Force System (MCTFS)
- Defense Civilian Pay System (DCPS)
- Invoices Receipt Acceptance and Property Transfer (iRAPT) (Formerly Wide Area Work Flow)
- Global Combat Support System (GCSS-MC)
- Internet Navy Facilities Assets Data Store (iNFADS)
- Defense Property Accountability System (DPAS)
- Syncada

- Ordnance Information System (OIS)

The Marine Corps is in the process of conducting FISCAM reviews for USMC-owned systems and is coordinating with IT system service providers to ensure audit requirements are met.

IT Systems Status

Immediately following are critical capabilities charts for IT Controls containing the dates for achieving the capability, accomplishments, and challenges. Figure III-11 presents more information on the status of systems material to audit readiness.

Information Technology

Critical Capability	Completion
A) Implement critical information technology general and application controls for material, financially- relevant systems.	03/2017
Interim Milestones	
Complete FISCAM assessment of MCTFS.	✓
Complete FISCAM assessment of MCORS.	✓
Complete FISCAM assessment of PR Builder.	✓
Complete FISCAM assessment of UD/MIPS.	09/2016

Accomplishments

- FISCAM team completed a first review of DCPS CUECs.
- FISCAM team kicked off a FISCAM assessment of PR Builder and completed a test of design over IT application controls.
- FISCAM team kicked off a FISCAM assessment of MCORS and completed a test of design and test of operating effectiveness over IT application controls.

Challenges

- Identifying appropriate points of contact and stakeholders for IT systems, as well as complimentary user entity controls for SSAE No. 16 engagements.
- Limited resources and timeline constraints have precluded the FISCAM team from conducting walkthroughs of certain systems. Resources are limited due to concurrent FISCAM testing and SBA IT audit testing.

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Figure III-11. Systems Material to Marine Corps Audit Readiness (✓ = Completed)

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Marine Corps	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Statement of Budgetary Resources – Marine Corps and Navy Systems									
DSSC	Operating Materials and Supplies	USMC	DISA	✓	✓	✓	✓	✓	✓
GCSS-MC	Operating Materials and Supplies; Military Equipment	USMC	DISA	✓	✓	✓	✓	✓	✓
MCORS (MCPDT and MROWS modules)	Transportation of People	USMC	USMC	✓	✓	✓	✓	✓	✓
MCTFS	MILPAY	USMC	DISA	✓	✓	✓	✓	✓	✓
Navy ERP	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Financial Statement Compilation and Reporting; Funds Receipt and Disbursement; Military Standard Requisition Issue Procedure; Reimbursable Work Orders; Transportation of Things; Transportation of People	Navy	Navy	✓	12/2017	✓	✓	✓	✓
PBIS	Fund Balance with Treasury; Funds Receipt and Distribution; Financial Statement Compilation and Reporting	Navy	Navy	✓	✓	✓	✓	✓	✓
PR BUILDER	Contract and Vendor Pay; Reimbursable Work Orders	USMC	USMC	✓	09/2016	N/A	N/A	✓	09/2016
SCS	General Equipment; Inventory and Related Property	Air Force	Air Force	✓	✓	✓	✓	✓	✓
SLDCADA	Civilian Pay	Navy	Navy	✓	06/2016	✓	✓	✓	✓
SEAPORT	Contract Vendor Pay	Navy	Navy	✓	✓	✓	✓	✓	✓
SPS ^{1,3}	Contract Vendor Pay	Navy	Navy	✓	✓	✓	✓	✓	✓
Mission Critical Assets Existence and Completeness – Marine Corps and Navy Systems									
DSSC	Operating Materials and Supplies	USMC	USMC	✓	✓	✓	✓	✓	✓
ILSMIS	Inventory and Related Property	USMC	USMC	✓	✓	✓	✓	✓	✓
iNFADS	Real Property; Construction in Progress	Navy	Navy	✓	06/2016	✓	✓	✓	✓

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Marine Corps	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
OIS	Operating Materials and Supplies	Navy	Navy	✓	06/2016	✓	✓	✓	✓
SCS	Inventory and Related Property	USMC	USMC	✓	✓	✓	✓	✓	✓
USMCMAX	General Equipment	USMC	DISA	✓	06/2016	✓	✓	✓	✓
Statement of Budgetary Resources – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Disbursing	DFAS	DISA	✓	✓	✓	✓	09/2016	09/2016
BEIS: DDRS-AFS ²	Fund Balance with Treasury; Financial Statement Compilation and Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	09/2016
BEIS: DDRS-B ²	Fund Balance with Treasury; Funds Receipt and Disbursement; Financial Statement Compilation and Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	09/2016
BEIS: DDRS-DCM ²	Financial Statement Compilation and Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	09/2016
DCPDS	Civilian Pay	DCPAS	DISA	✓	✓	✓	✓	✓	✓
DCPS	Civilian Pay; Financial Statement Compilation and Reporting	DFAS	DISA	✓	✓	✓	✓	09/2016	09/2016
DIFMS	Statement of Budgetary Resources / Activity; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	09/2016	09/2016
DSS	Order to Cash, Procure to Pay, and Plan to Stock	DLA	DISA	✓	✓	✓	✓	09/2016	09/2016
EAS	Contractual Services and Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	09/2016	09/2016
eTOOLS	Contractual Services and Acquisition of Assets	DCMA	DCMA	✓	✓	✓	✓	09/2016	09/2016
EUD (APVM/PPVM)	Contractual Services and Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	09/2016	09/2016
iRAPT (WAWF)	Order to Cash and Procure to Pay	DLA	DISA	✓	✓	✓	✓	09/2016	09/2016
MOCAS	Contractual Services and Acquisition of Assets	DCMA	DISA	✓	✓	✓	✓	09/2016	09/2016
		DFAS	DISA	✓	✓	✓	✓	09/2016	09/2016
SCRT	Contractual Services and Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	09/2016	09/2016

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Marine Corps	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Statement of Budgetary Resources – Service Provider Systems (Non-SSAE No. 16 Examinations)									
BEIS: DCAS	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Financial Statement Compilation and Reporting; Military Pay; Military Standard Requisition Issue Procedure; Permanent Change of Station; Reimbursable Work Orders; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	08/2016	08/2016	✓	✓	09/2016	09/2016
CAPS-W	Accounts Payable; Vendor Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	09/2016
EBS	MILSTRIP	DLA	DISA	✓	✓	✓	✓	09/2016	09/2016
EDA	Procure to Pay	DLA	DISA	✓	✓	✓	✓	09/2016	09/2016
eMarket Place	Contract and Vendor Pay	Commercial Vendor	DLA (Navy)	09/2016	09/2016	09/2016	09/2016	09/2016	09/2016
GAFS (DTS)	Transportation of People; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	09/2016
GSA Advantage	MILSTRIP	GSA	GSA	09/2016	09/2016	09/2016	09/2016	09/2016	09/2016
IATS	Transportation of People (non-DTS); Balance Sheet	DFAS	USMC	✓	✓	09/2016	09/2016	09/2016	09/2016
One Pay	Military Standard Requisition Issue Procedure; Permanent Change of Station; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	✓	✓	09/2016	09/2016	09/2016	09/2016
Syncada	Transportation of Things	Commercial Vendor	Commercial Vendor	✓	✓	✓	✓	✓	✓
SABRS	Statement of Budgetary Resources / Activity	DFAS	DISA	✓	✓	✓	✓	09/2016	09/2016
STORES	Order to Cash	DLA	DISA	✓	✓	✓	✓	09/2016	09/2016
Mission Critical Assets Existence and Completeness – Service Provider Systems (SSAE No. 16 Examinations)									
DPAS	Military Equipment; General Equipment	AT&L	DISA	✓	✓	✓	✓	09/2016	09/2016

U.S. MARINE CORPS AUDIT READINESS RESOURCES

Despite budget constraints, substantial resources have been programmed to support achieving auditable financial statements. The FIAR activities funded by the amounts in Figure III-12 include:

Audit Readiness, Validations, and Audits

- Completing evaluation, discovery, and corrective actions of the commands and their service providers (e.g., DFAS).
- Testing or verifying audit readiness after completing corrective actions and preparing management assertions.
- Supporting audit infrastructure to sustain audit readiness and to support IPA audits, including tools and data repositories.

Financial Systems

- Designing, developing, and deploying audit-ready compliant systems as well as cost-effective changes to legacy systems that will be part of the systems environment.
- Converting and validating data, implementing and testing controls, and documenting systems and processes.

Because ERPs are being deployed to modernize functional as well as financial processes, ERP system deployment costs are not included in audit readiness resources. ERP costs are reported in Section VII, Enterprise Resource Planning Systems. Additionally, changes and improvements to functional and financial processes are continually being made for operational efficiencies and improving controls. The Department has not attempted to capture the costs of process changes made solely for audit readiness, and therefore, resources reported below may not fully capture process improvement costs.

Figure III-12. USMC Audit Readiness Resources (Dollars in Millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Audit Readiness, Validations, and Audits	35	40	40	26	26	26
Financial Systems	1	1	0	0	0	0
Total Resources	36	41	40	26	26	26

Message from the Department of the Air Force Chief Management Officer

The Air Force made significant progress in our drive to produce auditable financial statements by September 30, 2017. Our commitments to accountability and responsible financial management are evidenced by the results produced by our Airmen and Service Providers.

The Air Force completed our first ever audit of the General Fund Schedule of Budgetary Activity for Fiscal Year 2015. This marked a critical milestone for our audit readiness efforts, validated our strategy, and provided valuable insight and areas for improvement in our business operations. We worked closely with our auditors to prioritize findings and recommendations from the audit and implement cost-effective corrective actions.

The active engagement of leadership has been critical to our success, and we continue to include financial improvement and auditability goals in the annual performance plans for all of our senior executives. Significant progress has been made in recent years, but there is a long way to go. Our new financial management system, the Defense Enterprise Accounting and Management System (DEAMS) will serve as the foundation for our long-term financial improvement effort. DEAMS has deployed to approximately half our user base and provides inherent accounting controls in a commercial off-the-shelf accounting system. As we transition from legacy systems to an enterprise solution, we continue to identify and correct differences in our business processes and DEAMS.

While history of other federal agencies financial audits shows that large agencies take three to five years to achieve unmodified audit opinions, the Air Force is committed to becoming audit ready and to ultimately achieve an unmodified audit opinion as soon as possible. The magnitude, complexity, and nature of our operations, processes, and systems create challenges, but we continue to make progress. We know what work needs to be done, and we have a credible plan in place to accomplish it.



Lisa S. Disbrow

Under Secretary and Chief Management Officer
Department of the Air Force

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IV. Air Force Audit Readiness

The Air Force is positioning itself for a full financial statement audit in fewer than two years. Armed with lessons learned and best practices from the recently completed FY 2015 SBA audit, as well as the current FY 2016 SBA audit, the Air Force better understands what it takes to prepare for a financial statement audit and is constantly improving its strategies to achieve auditability.

Air Force senior leadership continues to make prudent financial improvement decisions while ensuring Air Force personnel are accomplishing their mission—Fly, Fight, and Win...in Air, Space and Cyber Space. Air Force senior leadership also continues to support the audit readiness goals and objectives, while focusing on meeting upcoming milestones. Major Command (MAJCOM) best practices and lessons learned are shared across the Air Force to maximize efficiencies and expedite completion of financial improvement and audit readiness tasks.

Progress Since the November 2015 FIAR Report

Since the last FIAR report, the Air Force has made progress in several areas:

- An IPA completed the FY 2015 SBA audit and issued a disclaimer of opinion. Despite the disclaimer, the Air Force successfully supported the IPA to understand processes, internal controls, and systems. In addition, supporting documentation and internal controls were tested. The Air Force is using findings from the FY 2015 SBA audit to better prepare for the FY 2016 SBA audit and full financial statement audit in FY 2018.
- The Air Force is using findings from the SBA audit to prioritize corrective actions and focus on areas with the greatest affect on the audit outcome.
- The SBA audit confirmed the Air Force FIAR IT strategy is on target, and it will continue to be applied to other financial statement related systems.

- The Air Force established the FIAR Executive Oversight Group, comprising Air Force senior officials responsible for monitoring corrective actions from the SBA audit.

Challenges to Audit Readiness by September 30, 2017

While the Air Force has made progress toward audit readiness, challenges remain:

- Identifying and extracting old transactions, especially those more than 10 years old, from legacy systems and obtaining supporting documentation is extremely difficult and requires extensive effort by the Air Force and its service providers.
- Establishing a universe of transactions for beginning balances, including reconciliations from the general ledger (legacy and ERP) to relevant feeder systems and vice versa, is particularly challenging and requires significant resources.



An Air Force F-16 Fighting Falcon aircraft refuels during Forceful Tiger near Okinawa, Japan, Jan. 28, 2016. (Air Force photo by Staff Sgt. Maeson L. Elleman)

General Fund Financial Statements

The Air Force completed the audit of its FY 2015 SBA, receiving a Disclaimer of Opinion. The FY 2016 SBA audit is currently underway. At the same time, the Air Force continues to remediate previously identified deficiencies.

Figure IV-1 identifies the completion dates for post-validation corrective actions and audit start dates for the Air Force General Fund Statement of Budgetary Resources and Balance Sheet.

Figure IV-1. Air Force General Fund Financial Statements

Financial Statements	Post-Validation Corrective Actions Complete	Audit Start
Statement of Budgetary Resources	09/2017	10/2017
Balance Sheet	09/2017	10/2017

STATEMENT OF BUDGETARY RESOURCES

As part of its Statement of Budgetary Resources audit strategy, the Air Force completed the FY 2015 SBA audit and began the FY 2016 SBA audit while continuing corrective actions. The scope of the FY 2016 audit was expanded to include a larger sample population for substantive testing. The Air Force also applied lessons learned from the SBA audit to enhance its auditor response tool and process.

The Air Force established a process to age beginning balances, assessing the availability of supporting documentation and developing corrective actions. Remediation efforts are prioritized

based on balances and transactions critical to the full financial statement audit in FY 2018. The Air Force is applying lessons from the SBA audit to anticipate the types of documentation required to beginning balances.

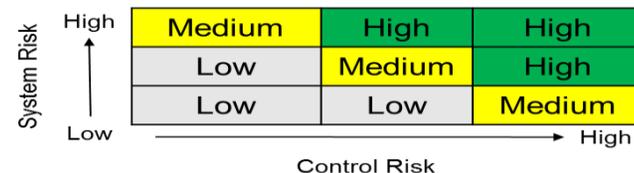
FY 2015 SBA Audit

The Air Force received a Disclaimer of Opinion on its FY 2015 SBA audit primarily due to the IPA’s inability to rely on IT system controls and the Air Force’s inability to reconcile and provide a complete universe of transactions. In addition, the IPA issued a report stating the Air Force was in noncompliance with FFMIA and FMFIA. The IPA also identified three material weaknesses related to 1) financial reporting, 2) oversight and monitoring of internal controls, and 3) financial information systems. The Air Force had identified most of these areas during discovery and was already addressing and expediting the implementation of correction actions.

While the Air Force received a number of IT and financial management NFRs, those that align to critical capabilities were categorized as high priority. These included completing universe of transactions reconciliations, reviewing and approving reconciliations more timely, and clearing unmatched disbursements in Fund Balance with Treasury.

SBA Notices of Findings and Recommendations

Due to tight timelines and the ongoing audit of the FY 2016 SBA, the Air Force separated and then prioritized its IT and financial management NFRs. System risk and control risk determined IT NFR prioritization:



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The effect (enterprise-wide versus FY 2016 SBA audit), the length of time needed to implement corrective actions, and the bearing on an audit opinion determined financial management NFR prioritization. As the NFRs were analyzed and corrective actions developed, the Air Force focused on analyzing root causes and designing effective and efficient solutions.

All NFRs are carefully tracked and assigned to the office with primary responsibility (functional owner). The Air Force FIAR

Executive Oversight Group works to ensure business processes are reengineered and IT systems modernized, as needed, to support objectives and correct deficiencies. Co-chaired by the Assistant Secretary of the Air Force/Financial Management and the Deputy Chief Management Officer, the group provides cross-functional review and unified direction, guidance, and leadership to oversee financial improvement and audit readiness activities and dedicate resources.

Figure IV-2. Air Force Material Weaknesses and Notices of Findings and Recommendations (✓ = Completed)

Material Weaknesses	Corrective Actions	Completion
Financial Reporting		
Inability to validate the completeness of transactions underlying the Schedule.	Complete outstanding reconciliations, improve timeliness of remediation of variances, and strengthen systemic controls around inbound interfaces.	TBD
Unsupported trading partner adjustments.	Continue to implement the Treasury-sponsored IPP project.	10/2017
Lack of timely financial reporting.	Develop a plan to receive quarterly transactional GAFS-R data prior to issuing quarterly financial statements.	06/2016
Oversight and Monitoring of Internal Controls		
Inability to maintain adequate documentation evidencing performance of the relevant controls and provide the documentation timely.	Develop sample packages to clearly illustrate the documentation required. Reinforce existing or develop new guidance on documentation retention requirements. Develop and implement refresher trainings with MAJCOMs.	09/2016
Incomplete or inaccurate narrative descriptions.	Update cycle memos to accurately reflect business processes for identified business process gaps.	09/2016
Issues with other oversight and monitoring.	Develop and implement a tiered testing strategy to address complementary user entity controls to enable control reliance.	06/2017
Financial Information Systems		
Material weaknesses previously identified still exist.	Develop measures to remediate gaps in account management and audit log control policies and procedures, configuration changes, segregation of incompatible duties, and interface controls.	Ongoing

FY 2016 SBA Audit

The FY 2016 SBA audit started in February 2016. Because the IPA auditing the second SBA audit was already familiar with Air Force processes, internal controls, and systems, the Air Force expected a closer look by the auditors into key areas, including some not previously covered during the FY 2015 SBA audit. The scope of the FY 2016 SBA audit was expanded to include:

- Funding, collections, and recoveries of FY 2015 and FY 2016 appropriations.
- FY 2016 obligations of FY 2015 appropriations and FY 2016 appropriations.
- FY 2016 outlays against FY 2015 and FY 2016 obligations.
- Related note disclosures and limited testing on other financial information.

The Air Force again supported the auditors with numerous site visits and provided requested supporting documentation throughout the audit and testing. The Air Force anticipates the FY 2016 SBA audit results will provide additional insight into areas such as data, system reconciliations, and financial reporting that will further assist the Air Force in preparing for the full financial statement audit in FY 2018.

Risks to a Successful FY 2016 SBA Audit

- Capability to reconcile beginning balances resulting from FY 2015 appropriations.
- Ability to provide a universe of transactions (including reconciliations) for legacy and DEAMS financial transactions.
- Capability to provide complete, accurate, and timely supporting evidence.
- Ability to provide timely communication to increase audit awareness at base level, and identify appropriate points of contact during the audit process.

BALANCE SHEET

The Air Force is executing a comprehensive plan for achieving financial statement auditability. The plan includes addressing the valuation of Property, Plant, and Equipment and Operating Materials and Supplies, as well as addressing gaps between prior audit readiness work and full financial statement audit. The Air Force continues to focus on material financial statement lines, as well as expediting corrective actions.

Many remediation efforts to establish a sustainable and effective control environment and retain supporting documentation are critical to achieving auditability for the full financial statements. Accomplishments include:

- Completed numerous corrective actions related to budgetary resources.
- Established and expedited corrective actions to address asset valuation while working toward achieving existence and completeness.
- Reconciled proprietary and budgetary accounts in the target accounting system to ensure all corrective actions on the budgetary statements were reflected in the account balances presented on the remaining financial statements.

Progress Since the November 2015 FIAR Report

Highlights of progress since the November 2015 FIAR report include:

- Executed corrective actions and completed existence and completeness discovery for remaining Balance Sheet assets (Operating Materials and Supplies – Spares, Contractor Managed and Contractor Possessed, Government Furnished Equipment, and General Equipment – IT).
- Began valuation for three major asset classes: Real Property, General Equipment, and Inventory and Related Property.

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- Completed Military Equipment baseline valuation for the C-17, F-22, B-2, and F-16 programs, which represent approximately 60 percent of the Military Equipment Net Book Value. Military Equipment makes up 85 percent of the General Equipment amount reported on the Balance Sheet.
- Collected Real Property existence and completeness supporting documentation for 12 installations with remaining underway.
- Completed baseline valuation for Inventory and Related Property, including the sub-asset classes of Aerial Targets, Cruise Missiles, and Uninstalled Missile Motors. This represents approximately 4 percent of the Operating Materials and Supplies amount reported on the Balance Sheet.
- Applied FY 2015 SBA audit results to address issues related to processes, controls, and documentation for full financial statement audit.

Challenges to Audit Readiness by September 30, 2017

While the Air Force has made progress toward audit readiness, challenges remain, such as:

- Completing milestones timely for Military Equipment due to:
 - Potential system development delays because of lack of adequate funding
 - Delays in developing and implementing valuation processes
 - Lack of proper processes in current environment
 - Cooperation with service providers
 - Manual interim solutions that require additional oversight of internal controls
 - Maintenance, retention, and long-term storage of supporting documentation.
- Capturing and accumulating actual cost at the individual asset level for Real Property.

- Ensuring accountable property systems of record have the necessary processes and controls to serve both accountability and financial reporting objectives.
- Establishing processes and owners to reconcile information in the accountable property systems of record to the general ledger at the transaction level.
- Establishing a documentation repository to maintain valuation supporting documentation.
- Validating and supporting beginning balances, including journal vouchers.

AIR FORCE GENERAL FUND AUDIT READINESS CRITICAL CAPABILITIES

The Air Force is focused on high-risk areas and critical capabilities identified by the Department. The critical capabilities include:

- Universe of Transactions
- Fund Balance with Treasury
- Journal Vouchers
- Existence, Completeness, and Rights and Obligations of Assets
- Valuation of Assets
- Environmental and Disposal Liabilities
- IT Controls

Figure IV-3 provides the Air Force General Fund completion dates for each critical capability. Following Figure IV-3 are charts for each critical capability, except IT Controls, containing the dates for achieving the capability, accomplishments, and challenges. Information on IT Controls and systems material to audit begins on page IV-43.

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Figure IV-3. Air Force General Fund Audit Readiness Critical Capabilities (✓ = Completed)

Air Force – General Fund		Completion	Validation
Universe of Transactions	Statement of Budgetary Resources	03/2017	09/2017
	Balance Sheet	03/2017	09/2017
Fund Balance with Treasury		✓	✓
Journal Vouchers		03/2017	03/2017*
Existence, Completeness, and Rights and Obligations of Assets	Real Property (including Construction in Progress)	09/2017	09/2017
	General Equipment (including Military Equipment)	03/2017	09/2017
	Internal Use Software	03/2017	09/2017
	Inventory and Related Property	03/2017	09/2017
Valuation of Assets	Real Property (including Construction in Progress)	09/2017	09/2017*
	General Equipment (including Military Equipment)	03/2017	09/2017*
	Internal Use Software	03/2017	09/2017*
	Inventory and Related Property	03/2017	09/2017*
Environmental Liabilities (DERP and Non-DERP)		07/2017	09/2017*
IT Controls		03/2017	09/2017*

* The Air Force will conduct internal reviews of audit readiness work products to validate corrective actions have been implemented and deficiencies remediated.

Universe of Transactions – Schedule of Budgetary Activity (General Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting systems.	✓

Accomplishments

- Demonstrated ability to produce a population of transaction details (legacy and DEAMS) during the FY 2015 SBA audit.
- Developed and executed interim solution for DEAMS Quantitative Drill Down.
- Provided FY 2016 GAFS-BQ and DEAMS Quantitative Drill Down data files (with enhancements) to auditors. Enhancements included fully defined system source data fields for DEAMS transactions.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	✓

Accomplishments

- Completed reconciliation procedures for lower tier systems supporting an SBA universe of transactions in the legacy environment. Finalized the remaining reconciliations of 45 systems in 03/2016.
- Reconciled DEAMS to GAFS-R in FY 2015 and Quarter 1 of FY 2016 data with average match rates exceeding the 95 percent goal. For unmatched transactions, remediation procedures are being developed.

Universe of Transactions – Statement of Budgetary Resources (General Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting systems.	03/2017
Interim Milestones	
Perform root cause analysis of significant issues (auditor identified and self-identified).	06/2016

Accomplishments

- Developed a schedule of beginning balances, based on the age of the underlying transactions and relative percentages, which will be used to develop a universe of transactions. Remediation work will be prioritized based on balances and transactions critical to the full financial statement audit in FY 2018.

Challenges

- Developing a universe of transactions for beginning balances, which includes transactions initiated more than 10 years ago.
- Generating a universe of transactions in a dual environment - GAFS and DEAMS – presents additional reconciliation challenges.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	03/2017
Interim Milestones	
Perform root cause analysis of significant issues (auditor identified and self-identified).	06/2016
Design corrective action plans related to reconciling financial statement balances and transaction-level detail.	06/2016
Design corrective action plans to correct general ledger account balances (e.g., restatements).	12/2016

Accomplishments

- Worked with DFAS to develop a Plan of Action and milestones to reconcile transactions for beginning balances from general ledger to feeder systems. Remediation work is prioritized based on balances and transactions critical to the full financial statement audit in FY 2018.
- Began efforts underway to develop additional documentation and correct documentation to ensure open obligation balances are supported.

Challenges

- Reconciling general ledger data to reports used to facilitate triannual reviews may require system enhancements.
- Reconciling beginning balances to feeder and source systems, and validating open obligations and executing contract closeout actions to reduce stale and invalid balances take significant effort.

Universe of Transactions – Balance Sheet (General Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	03/2017
Interim Milestones	
Perform root cause analysis of significant issues (auditor identified and self-identified).	06/2016

Accomplishments

- Completed pilot of universe of transactions effort for MOCAS and IAPS transactions. Results will be incorporated in the universe of transactions plan for Balance Sheet accounts excluding Property, Plant, and Equipment.
- Developed a schedule of beginning balances, based on the age of the underlying transactions and relative percentages, to determine the baseline based on materiality.
- Established a logistics financial team to build a sustainable IT universe of transactions infrastructure.
- Identified a potential data warehouse containing majority of Property, Plant, and Equipment and Inventory and Related Property transaction details.

Challenges

- Executing procedures for identifying source data, creating a universe of transactions, reconciling general ledger transactions to feeder systems.
- Finalizing selection of a data warehouse and software tool and completing data assurance testing.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	03/2017
Interim Milestones	
Perform root cause analysis of significant issues (auditor identified and self-identified).	06/2016
Design corrective action plans related to reconciling financial statement balances and transaction-level detail.	06/2016
Design corrective action plans to correct general ledger account balances (e.g., restatements).	12/2016

Accomplishments

- Worked with DFAS to develop a Plan of Action and Milestones to reconcile Balance Sheet accounts and transactions from general ledger to feeder systems. Remediation work will be prioritized based on balances and transactions critical to the financial statement audit in FY 2018.

Challenges

- Reconciling beginning balances to feeder and source systems (excluding Property, Plant and Equipment) and validating support, and reconciling Property, Plant and Equipment balances to the various accountable property systems of record.
- Not all Property, Plant, and Equipment and Inventory and Related Property feeder systems are producing a population of transaction detail.

Fund Balance with Treasury (General Fund)

Critical Capability	Completion
A) Process and tools to identify, age, and resolve differences between the general ledgers (proprietary and budgetary) and Treasury (at voucher-level).	✓

Accomplishments

- IPA examination validated Fund Balance with Treasury audit readiness in 2011. Sustained reconciliation procedures to identify, age, and resolve differences at the voucher level. In addition, this capability was validated during the FY 2015 SBA audit.

Challenges

- None

Critical Capability	Completion
C) Process and tools to identify, age, and resolve transactions reported on Treasury's statements of differences within 30 days.	✓

Accomplishments

- IPA examination validated audit readiness in 2011. Air Force sustained process to track, age, and resolve items appearing on the Treasury Statement of Differences. In addition, this capability was validated during the FY 2015 SBA audit.

Challenges

- None

Critical Capability	Completion
B) Process and tools to identify, age, and resolve transactions posted to budget clearing accounts within 60 days (suspense accounts).	✓

Accomplishments

- IPA examination validated Fund Balance with Treasury audit readiness in 2011. Sustained existing procedures to identify, age, and resolve transactions posted to suspense accounts. In addition, this capability was validated during the FY 2015 SBA audit.

Challenges

- None

Critical Capability	Completion
D) Perform aging analysis and apply reconciliations backwards to any years possible.	✓

Accomplishments

- Updating previously completed aging analysis annually. Air Force is on track to have 8 years of reconciled Fund Balance with Treasury activity at the beginning of FY 2018.

Challenges

- None

Journal Vouchers (General Fund)

Critical Capability	Completion
Elimination Entries – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements related to intra-component and intra-departmental elimination entries.	03/2017
Interim Milestones	
Confirm proper use of sale codes.	09/2016
Improve support for buyer-side elimination entries journal vouchers.	12/2016

Accomplishments

- Updated policies, business processes, and related training guides associated with eliminations and distributed to the field for implementation.

Challenges

- Trading partner is not a mandatory field in the legacy environment or in DEAMS. We are working with the managers of DEAMS to make it a mandatory field.
- Process and system enhancements dependencies on the deployment of DEAMS and Treasury implementation of IPP.

Critical Capability	Completion
All Other Journal Vouchers – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements for all other journal vouchers.	03/2017
Interim Milestones	
Develop and implement business process, internal control, and supporting documentation corrective actions for recurring journal vouchers.	09/2016
Validate implementation of corrective actions.	03/2017

Accomplishments

- Completed corrective actions to strengthen support for SBA-related journal vouchers.
- Completed FY 2015 SBA audit, including validation of SBA-related journal voucher efforts and journal voucher-related NFRs to aid ongoing corrective actions.

Challenges

- Reducing the volume of journal vouchers through process and system enhancements.
- Maintaining complete and current business process and internal control documentation for recurring journal vouchers.
- Ensuring supporting documentation is identified, retained, and readily available for examination.

Existence and Completeness – Real Property (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2016
Interim Milestones	
Complete physical inventory and collect supporting documentation for 12 Installations.	✓
Submit physical inventory and supporting documentation findings to the 12 installations.	✓
Installations correct physical inventory and supporting documentation findings within the APSR.	✓
Develop strategy for remaining installations (Total Force) including guidelines for completing physical inventory, collecting supporting documentation, developing corrective actions, and updating policy.	✓
Issue policy updates.	✓
Complete physical inventory, prioritize supporting documentation collection, and begin reporting on corrective actions for remaining installations.	06/2016
Update the APSR with all major findings and changes for remaining installations.	09/2016

Accomplishments

- Completed a physical inventory and collected supporting documentation as of 12/2015 for 12 installations (a representative base from each MAJCOM).
- Established MilBook suite to complement SharePoint site for Real Property specifically for FIAR, and a FIAR clearing house.
- Completed strategy for remaining installations, corrective actions, and policy updates.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2017
Interim Milestones	
Design and Construct – Stakeholders collaborate and develop strategy that includes policy revisions, process improvements, and system updates.	09/2016*
Implement – Stakeholders ensure process owners begin executing go-forward strategy developed in the Design and Construct phase.	03/2017
Validate – Test go-forward processes to verify operational effectiveness. Track and report progress.	09/2017*

Accomplishments

- Engaged stakeholders to begin the Design and Construct phase of the go-forward strategy. The Air Force conducted Real Property summits in 01/2016 and 02/2016 with representatives from SAF/FMF, A4C, Air Force Civil Engineer Center (AFCEC) AFCEC, ANG/A7, AFRC/A4, and installations.

Challenges

- A delay in corrective action implementation will result in slippages of the implementation and validation of the go-forward strategy.
- Increasing Real Property core capabilities through training, educating, and mentoring.

Challenges

- Having adequate time to correct extensive deficiencies and still meet accelerated interim milestones.
- Developing effective accounting and financial data accounting and Balance Sheet reconciliation processes through a comprehensive, joint functional Construction in Progress working group.
- Increasing Real Property core capabilities through training, educating, and mentoring.

Existence and Completeness – General Equipment (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	06/2016
Interim Milestones	
Complete existence and completeness assessment of Special Tools/Special Test Equipment assets and Research Development Test and Evaluation assets.	✓
Complete existence, completeness, and rights internal control and supporting documentation testing of Government Furnished Equipment assets.	✓

Accomplishments

- Sustaining existence, completeness, and rights internal controls and tested supporting documentation for General and Military Equipment.
- Developed and distributed to the field a Government Furnished Equipment process guide detailing the end-to-end process for asset accountability.
- Improved accountability by entering inventory of Special Tools and Special Test Equipment into the accountable property system of record (AFEMS).

Challenges

- None

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Update corrective action plans for General Equipment.	✓
Update corrective action plans for Government Furnished Equipment assets.	✓
Update corrective action plans for Military Equipment assets.	✓

Accomplishments

- Developed a DPAS Financial Improvement Plan for functional leads that outlines requirements and mandates DPAS as the primary accountable property system of record for vehicles.
- Achieved approximately 94 percent Government Furnished Equipment contract clause compliance and approximately 91 percent Government Furnished Equipment attachment compliance.

Challenges

- Completing AFEMS FIAR modifications in time for audit.

Existence and Completeness – Internal Use Software (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	06/2016
Interim Milestones	
Air Force will report an Internal Use Software balance of zero, per OUSD(C) guidance.	✓
Determine Internal Use Software APSR.	06/2016

Accomplishments

- None

Challenges

- None

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Design the to-be business process.	08/2016
Implement go-forward process.	09/2016
Validate go-forward process after implementation.	03/2017

Accomplishments

- None

Challenges

- None

Existence and Completeness – Inventory and Related Property (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	03/2017
Interim Milestones	
Complete asset accountability assertion for existence and completeness of Munitions, Aerial Targets, Cruise Missiles, Spare Engines, and Uninstalled Missile Motors.	✓
Complete asset accountability assertion for existence, completeness, and rights of Operating Materials and Supplies – Base Possessed.	✓
Complete asset accountability assertion for existence, completeness, and rights of Operating Materials and Supplies – Contractor Managed and Possessed.	03/2017

Accomplishments

- Identified DPAS as the accountable property system of record for Contractor Managed/Possessed Operating Materials and Supplies.
- Executed corrective actions for a sustainable reconciliation process and corrective actions related to Inventory and Operating Materials and Supplies – Base Possessed, and Munitions.

Challenges

- Operating Materials and Supplies – Base Possessed accountable property system of record does not track Individual Protective Equipment assets resulting in an understatement. The transaction-level data shared between SMAS and GAFS-R also makes ascertaining correct valuation difficult.
- Identifying contractors that manage Operating Materials and Supplies.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Develop and design auditable processes and systems, compliant with SFFAS No. 3, for each inventory and related property asset group.	09/2016
Implement the SFFAS No. 3 compliant processes and complete required system updates.	12/2016
Validate the go-forward activity.	03/2017

Accomplishments

- Developed and executed corrective actions for a sustainable reconciliation process from accountable property system of record to underlying detail (transaction data from feeder systems to the legacy system GAFS-R).
- Continued implementing corrective actions for differences identified during munitions examination (rights-ownership code) and Operating Materials and Supplies assertion (Individual Protective Equipment tracking and inventory reconciliation).
- Completed annual sustainment testing for Spare Engines, Aerial Targets, Uninstalled Missile Motors, and Cruise Missiles.

Challenges

- Ensuring Operating Materials and Supplies – Contractor Managed/Possessed logistics and acquisition policies and procedures are developed to support future programs with contractors managing Air Force property. An end-to-end process meeting for Government Furnished Materials is scheduled for Quarter 3 of FY 2016 to develop the processes, policies, and procedures.

Valuation – Real Property (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	03/2017
Interim Milestones	
Complete physical inventory and collect supporting documentation for 12 Installations.	✓
Submit physical inventory and supporting documentation findings to the 12 installations.	✓
Installations correct physical inventory and supporting documentation findings within APSR.	✓
Develop strategy for remaining installations (Total Force) including guidelines for completing physical inventory, collecting supporting documentation, developing corrective actions, and updating policy.	✓
Complete plant replacement value calculation for the 12 installations.	06/2016
Installations update APSR.	09/2016
Complete physical inventory, prioritize supporting documentation collection, and begin reporting on corrective actions for remaining installations.	06/2016
Update APSR with all findings and changes for remaining installations.	09/2016
Complete plant replacement value calculation for remaining Installations and update APSR.	03/2017

Accomplishments

- Completed physical inventory and collected supporting documentation as of 12/2015 for 12 installations (a representative base from each MAJCOM).
- Established MilBook suite to complement SharePoint site for

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2017
Interim Milestones	
Design and Construct – Stakeholders collaborate and develop strategy that includes policy revisions, process improvements, and system updates.	09/2016
Implement – Stakeholders ensure process owners begin executing go-forward strategy developed in the Design and Construct phase.	03/2017
Validate – Test go-forward processes to verify operational effectiveness. Track and report progress.	09/2017

Accomplishments

- Engaged stakeholders to begin the Design and Construct phase of the go-forward strategy.
- Conducted Real Property Summits in 01/2016 and 02/2016 with representatives from SAF/FMF, A4C, AFCEC, AFRC/A4, ANG/A7, and installations.
- Began developing go-forward strategy.

Challenges

- Any delay in corrective action implementation will result in slippages of the implementation and validation of the go-forward strategy.
- Increasing Real Property core capabilities through training, education, and mentoring.

Real Property specifically for FIAR and a FIAR clearing house.

- Completed strategy for remaining installations, corrective actions, and policy updates.

Challenges

- Accelerating the critical capability milestone for an auditable valuation baseline from 03/2017 to 09/2016 per the OUSD(C) issued alternative valuation memorandum for opening balances. Applying Plant Replacement Value template (undeflated) and implementing guidance around estimating remaining useful life at baseline for each asset.
- Having adequate time to correct extensive deficiencies and still meet accelerated interim milestones.
- Ensuring baseline and go-forward activities are concurrent. Any delay in strategy will ultimately cause a delay in baseline efforts.
- Increasing Real Property core capabilities through training, education, and mentoring.

Valuation – General Equipment (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline	03/2017
Interim Milestones	
Complete Priority One (Military Equipment) programs valuation.	09/2016
Complete Priority 2 (Remaining Military Equipment).	03/2017
Complete remaining General Equipment subclasses.	03/2017

Accomplishments

- Completed draft C-17, B-1, F-22, and B-2 baseline valuation packages and submitted to the Program Offices.
- Continued valuation efforts for remaining priority weapon system programs by analyzing contracts and other documentation to establish estimated beginning balances.

Challenges

- Obtaining contracts for Military Equipment valuation is resulting in significant delays.
- Having to use less accurate alternative valuation methods because contract structure and language hinders cost allocation to specific air vehicles.
- Accomplishing tasks could be delayed if there are resource constraints.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity	03/2017
Interim Milestones	
Design Military Equipment business process.	07/2016
Implement interim, manual go-forward process.	09/2016
Validate interim, manual go-forward process.	03/2017

Accomplishments

- Confirmed stakeholders and designed a go-forward process using prior assessments of end-to-end processes, controls, supporting documentation, and systems.
- Began meetings with AF/A4 and SAF/AQ to establish go-forward requirements and interim and long-term processes and additional internal controls for Military Equipment.

Challenges

- Timely achieving go-forward process due to potential system development delays, requirements, and funding.
- No existing process for accounting for Construction in Progress in current environment.
- Manual, interim solutions triggering additional oversight requirements for internal controls and additional resources.

Valuation – Internal Use Software (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	03/2017
Interim Milestones	
Air Force will report an Internal Use Software balance of zero, per OUSD(C) guidance.	✓

Accomplishments

- Applied prospective accounting application for baseline valuation resulting in a zero net book value for Internal Use Software as of 09/2016.

Challenges

- None

Critical Capability	Completion
B) Establish an auditable process for go-forward activity	03/2017
Interim Milestones	
Design the to-be business process.	8/2016
Implement go-forward process.	9/2016
Validate go-forward process after implementation.	03/2017

Accomplishments

- None

Challenges

- None

Valuation – Inventory and Related Property (General Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline	03/2017
Interim Milestones	
Complete baseline valuation packages for Uninstalled Missile Motors, Aerial Targets, Spare Engines, Cruise Missiles, and Munitions.	✓
Complete baseline valuation package for Operating Materials and Supplies – Base Possessed and update APSR.	06/2016
Complete baseline valuation package for Operating Materials and Supplies – Contractor Managed/Possessed and update the APSR.	03/2017

Accomplishments

- Completed initial valuation packages using deemed cost for Uninstalled Missile Motors, Aerial Targets, and Cruise Missiles. This required obtaining documentation (e.g., contract data, budget data, DD Form 250s) to support an auditable valuation baseline. Derived values will be monitored and sustained until the 09/2016 valuation assertion.
- Completed data call to identify programs with contractors managing spare parts. DPAS was approved as the accountable property system of record by A4L and A4P in 12/2015.

Challenges

- Identifying all programs with contractors managing spare parts and supply chain management. This challenge must be vetted and remediated prior to establishing an auditable valuation baseline for Operating Materials and Supplies – Contractor Managed/Possessed.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity	03/2017
Interim Milestones	
Develop processes and system requirements updates, compliant with SFFAS No. 3, for each inventory and related property asset group.	06/2016
Implement processes and complete the required system updates to properly account for price paid beginning October 1, 2016.	09/2016
Validate go-forward activity.	03/2017

Accomplishments

- Updated AFI 21-103 and completed corrective actions to achieve the consistent compliance for entering needed data elements into the appropriate accountable property system of record for Aerial Targets, Cruise Missiles, and Spare Engines.
- Engaged stakeholders as to the development of a go-forward strategy and identified initial requirements.

Challenges

- Complexity of the Operating Materials and Supplies – Base Possessed asset category resulting from the number of different organizations within DoD playing key roles. Operating Materials and Supplies – Base Possessed is operating under an extremely aggressive timeline to develop and deploy an SFFAS No. 3 compliant process.

Environmental and Disposal Liabilities (General Fund)

Critical Capability	Completion
A) Establish an auditable process for estimating (identifying and valuing) and recording environmental and disposal liabilities.	07/2017
Interim Milestones	
Restoration: Implement corrective actions related to completeness and valuation.	09/2016
Restoration: Complete internal review and validation.	12/2016
Restoration: Enter sustainment phase of audit readiness.	01/2017
Other Environmental Liabilities: Implement corrective actions related to completeness.	04/2017
Other Environmental Liabilities: Implement corrective actions related to valuation.	07/2017
Military Equipment/Weapon Systems: Complete Discovery for General Equipment environmental disposals.	03/2017

Accomplishments

- Restoration: Completed all discovery phase tasks and made progress on 8 corrective action plans, 4 open and 4 closed.
- BRAC: Completed an assertion package that validated the liability balances for Environmental and Disposal Liabilities – BRAC. The Air Force Audit Agency issued a report stating BRAC-related Environmental Liabilities had been properly asserted and issued no findings or recommendations.
- Other Environmental Liabilities: Completed all discovery phase tasks and initiated corrective actions for 2 of 5 Other Environmental Liabilities components (ECA and EROR). Made progress on 21 corrective action plans, 19 open and 2 closed.

Challenges

- Restoration: Establishing a completeness baseline for DERP clean-up sites with appropriate supporting documentation contributing to financial statement balances.
- Restoration: Implementing new procedures to verify that the estimates are still valid at the end of the fiscal year.
- Restoration: Having sufficient supporting documentation to justify the reasonableness of the cost model estimates for RACER estimation software.
- Other Environmental Liabilities: Recognizing program management costs, accounting treatment for Environmental and Disposal Liabilities (including specific asbestos treatment), supporting estimates produced by leveraging cost models, and developing cost estimates for General Equipment per new OUSD(C) guidance increases the time and complexity of valuing Other Environmental Liabilities.
- Other Environmental Liabilities: accountable property system of record not capturing necessary data elements for building accurate cost model estimates because no functional requirement exists for capturing and maintaining this data in a controlled, centralized repository that can be used for financial reporting.

Working Capital Fund Financial Statements

The Air Force strategy applies results from the General Fund assertion work to the Working Capital Fund. Remaining audit readiness activities can therefore focus more intensely on areas unique to Working Capital Fund processes.

Figure IV-4 below identifies the milestones for post validation corrective actions completion and audit start for the Working Capital Fund Statement of Budgetary Resources and Balance Sheet.

Figure IV-4. Air Force Working Capital Fund Financial Statements

Financial Statements	Post-Validation Corrective Actions Complete	Audit Start
Statement of Budgetary Resources	09/2017	10/2017
Balance Sheet	09/2017	10/2017

Statement of Budgetary Resources

The Air Force asserted audit readiness for Working Capital Fund Contract Authority and Revenue/Spending Authority (Flying Hours). The two assertions represent 45 percent of Working Capital Fund total budgetary resources. Remaining work includes building a sustainable universe of transactions with appropriate reconciliations, updating journal voucher processes, documenting and testing the link between standard processes and Working Capital Fund general ledgers, finalizing testing for Spending Authority, and documenting and testing beginning balances.

Balance Sheet

The Air Force continues to focus on material or critical financial statement lines, as well as expediting corrective actions. The two highest value balances reported on the Working Capital Fund Balance Sheet are Inventory and Cumulative Results of Operations. Inventory represents over 86 percent of total assets, and Cumulative Results of Operations represents over 96 percent of total liabilities and net position. The remaining balances are derived from standard General Fund processes.

Many remediation efforts to establish a sustainable control environment and retain supporting documentation contribute to achieving auditability for the financial statements. Accomplishments include:

- Completed numerous corrective actions.
- Established and expedited corrective actions to address asset valuation while working toward achieving existence and completeness.
- Developed a universe of transactions infrastructure that includes a central repository containing transactional records from all general ledgers, financial systems, and financial feeders; end of month subsidiary ledgers; and reconciliations from financial statements to transactional details.

Progress Since the November 2015 Report

Since the last FIAR report, the Air Force made progress in several areas:

- In coordination with DFAS, development began on the Working Capital Fund universe of transactions infrastructure and process documentation for unique DFAS processes supporting Air Force Working Capital Fund business activities.
- A review process over Departmental-level journal vouchers began with a joint DFAS and Air Force group meeting in February 2016 to review journal vouchers.

Challenges to Audit Readiness by September 30, 2017

While the Air Force has made progress toward audit readiness, challenges remain:

- Unlike the General Fund, Working Capital Fund transaction details are disbursed across several general ledger and feeder systems. A data warehouse to complete a universe of transactions, reconciliations, and Quantitative Drill Down infrastructure is needed.
- The unique nature of the Working Capital Fund no-year appropriations complicates supporting outstanding obligation balances dating back to before enactment of the Chief Financial Officers Act of 1990.
- Available resources remain a challenge to fund assertion and examination efforts.

AIR FORCE WORKING CAPITAL FUND AUDIT READINESS CRITICAL CAPABILITIES

The Air Force is focused on high-risk areas and critical capabilities identified by the Department. See Appendix 1, Critical Capabilities Defined, for more detail on the critical capabilities.

The critical capabilities include:

- Universe of Transactions
- Fund Balance with Treasury
- Journal Vouchers
- Existence, Completeness, and Rights and Obligations of Assets
- Valuation of Assets
- IT Controls

Fund Balance with Treasury reconciliations for the Working Capital Fund have been performed since the beginning of FY 2015. The Air Force is in the process of developing a universe of transactions infrastructure for both financial and asset accountability transactions. Additionally, the journal voucher process has been updated, and asset accountability procedures are being improved.

Figure IV-5 provides the Air Force Working Capital Fund completion dates for each critical capability. Following Figure IV-5 are charts for each critical capability, except IT Controls, containing the dates for achieving the capability, accomplishments, and challenges. Information on IT Controls and systems material to audit begins on page IV-43.

FIAR Plan Status Report

Figure IV-5. Air Force Working Capital Fund Audit Readiness Critical Capabilities (✓ = Completed)

Air Force – Working Capital Fund		Completion	Validation
Universe of Transactions	Statement of Budgetary Resources	03/2017	09/2017
	Balance Sheet	03/2017	09/2017
Fund Balance with Treasury		✓	✓
Journal Vouchers		03/2017	03/2017
Existence, Completeness, and Rights and Obligations of Assets	Real Property (including Construction in Progress)	09/2017	09/2017
	General Equipment	03/2017	09/2017
	Internal Use Software	03/2017	09/2017
	Inventory and Related Property	06/2016	06/2016
Valuation of Assets	Real Property (including Construction in Progress)	09/2017	09/2017*
	General Equipment (including Military Equipment)	03/2017	09/2017*
	Internal Use Software	03/2017	09/2017*
	Inventory and Related Property	03/2017	09/2017*
Environmental Liabilities (DERP and Non-DERP)		N/A	N/A
IT Controls		03/2017	09/2017

* The Air Force will conduct internal reviews of audit readiness work products to validate corrective actions have been implemented and deficiencies remediated.

Universe of Transactions – Statement of Budgetary Resources (Working Capital Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	03/2017
Interim Milestones	
Document Working Capital Fund system process flows.	✓
Reconcile Tier 2 & 3 systems (DDRS, GAFS-R).	06/2016
Reconcile Tier 4 & 5 systems (SMAS, DIFMS, ABS, FIABS).	09/2016
Reconcile Tier 6 systems.	03/2017

Accomplishments

- Drafted Working Capital Fund audit readiness tool system process flows documented.
- Developed DIFMS to GAFS-R and DDRS trial balance summary transactional data reconciliations.
- Developed SMAS to GAFS-BL reconciliation.

Challenges

- Unlike the General Fund where financial transaction details reside in one system, the Working Capital Fund has four general ledger systems for five business activities, each with varying systems and processes that receive different levels of summarized data from other systems.
- Journal vouchers may be entered at two Departmental-level (Tiers 1 and 2) systems and four General Ledger-level (Tiers 3 and 4) systems.
- Finalizing selection of data warehouse and software tool and completing data assurance testing.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	03/2017
Interim Milestones	
Document Working Capital Fund system process flows.	✓
Complete universe of transactions for Tiers 2 & 3.	06/2016
Complete draft quantitative drill down 1 st iteration.	09/2016
Complete quantitative drill down 2 nd iteration.	03/2017

Accomplishments

- Adapted General Fund SBA reconciliation processes for Working Capital Fund use.

Challenges

- At least 22 different Tiers 4 – 6 financial systems feeding the four general ledger systems.
- Sustaining reconciliations and Quantitative Drill Downs requires a financial universe of transactions infrastructure, including data warehouses with reconciliation capabilities.
- Completing the Tier 4 reconciliations will be necessary to develop the first draft iteration of required Working Capital Fund Quantitative Drill Downs and reconciliations.

Universe of Transactions – Balance Sheet (Working Capital Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	03/2017
Interim Milestones	
Document system process flows.	✓
Demonstrate reconciliation capability for sample Inventory and Related Property population.	09/2016
Complete sustainable reconciliations for financial, Inventory and Related Property, and Property, Plant and Equipment universe,	03/2017

Accomplishments

- Assertion teams began collecting files and building reconciliations; reconciled 99 percent Inventory (Depot) records; reconciled 75 percent Inventory (Base) records.
- Established logistics financial team to build sustainable IT universe of transactions infrastructure.
- Identified potential data warehouse containing majority of Property, Plant, and Equipment and Inventory and Related Property transaction details.

Challenges

- Finalizing selection of data warehouse and software tool and completing data assurance testing.
- Obtaining repeatable financial statement and journal voucher data pulls to complete Property, Plant and Equipment and Inventory and Related Property reconciliations.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	03/2017
Interim Milestones	
Document system process flows.	✓
Demonstrate reconciliation capability for sample Inventory and Related Property population.	09/2016
Complete sustainable reconciliations for financial, Inventory and Related Property, and Property, Plant and Equipment universe.	03/2017

Accomplishments

- Reconciled 99 percent Inventory (Depot) accountable property system of record to feeder systems and completed levels 1 and 2 Quantitative Drill Downs from financial statements to feeder systems.

Challenges

- Obtaining universe of transaction details from shared systems such as DMLSS, managed by the Defense Health Agency.

Fund Balance with Treasury (Working Capital Fund)

Critical Capability	Completion
A) Process and tools to identify, age, and resolve differences between the general ledgers (proprietary and budgetary) and Treasury (at voucher-level).	✓

Accomplishments

- Validated General Fund, Fund Balance with Treasury audit readiness in 2011 through IPA examination. Sustained reconciliation procedures to identify, age, and resolve differences at the voucher level.
- Added Air Force Working Capital Fund to CCAS-AF Fund Balance with Treasury reconciliation in 10/2012 to track, age, and resolve unreconciled items.

Critical Capability	Completion
C) Process and tools to identify, age, and resolve transactions reported on Treasury's statements of differences within 30 days.	✓

Accomplishments

- Validated Working Capital Fund, Fund Balance with Treasury audit readiness in 2011 through IPA examination. Sustained reconciliation procedures to identify, age, and resolve differences at the voucher level.
- Added Air Force Working Capital Fund to CCAS-AF Fund Balance with Treasury reconciliation in 10/2012 to track, age, and resolve unreconciled items.

Critical Capability	Completion
B) Process and tools to identify, age, and resolve transactions posted to budget clearing accounts within 60 days (suspense accounts).	✓

Accomplishments

- Validated General Fund, Fund Balance with Treasury audit readiness in 2011 through IPA examination. Sustained reconciliation procedures to identify, age, and resolve differences at the voucher level.
- Added Air Force Working Capital Fund to CCAS-AF Fund Balance with Treasury reconciliation in 10/2012 to track, age, and resolve unreconciled items.

Critical Capability	Completion
D) Perform aging analysis and apply reconciliations backwards to any years possible.	✓

Accomplishments

- Updating previously completed aging analysis annually. Air Force Working Capital Fund, Fund Balance with Treasury can be reconciled back to 10/2012 when Air Force Working Capital Fund was added to CCAS-AF.

Journal Vouchers (Working Capital Fund)

Critical Capability	Completion
Elimination Entries – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements related to intra-component and intra-departmental elimination entries.	03/2017
Interim Milestones	
Complete Departmental-level Air Force/DFAS policy memo covering Working Capital Fund elimination entries (DDRS, GAFS-R).	✓
Identify population of recurring journal vouchers.	✓
Review recurring journal vouchers and strengthen existing descriptors.	✓
Enhance supporting documentation.	06/2016
Develop and strengthen general documentation standards for non-recurring journal vouchers.	09/2016

Accomplishments

- Issued a policy memorandum for Departmental-level journal vouchers in 09/2015.
- Identified population of Departmental-level journal vouchers and completed first review of recurring journal vouchers in 02/2016.

Challenges

- Documenting all end-to-end processes leading to the need for journal vouchers and reengineering business processes to eliminate the requirement for these adjustments.

Critical Capability	Completion
All Other Journal Vouchers – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements for all other journal vouchers.	03/2017
Interim Milestones	
Complete Departmental-level Air Force/DFAS policy memo covering Working Capital Fund elimination entries (DDRS, GAFS-R).	✓
Complete general ledger-level Air Force/DFAS policy memo covering all other Working Capital Fund journal vouchers (SMAS, DIFMS, ABS, FIABS).	✓
Identify population of recurring journal vouchers.	✓
Review recurring journal vouchers and strengthen existing descriptors.	✓
Enhance supporting documentation.	06/2016
Develop and strengthen general documentation standards for non-recurring journal vouchers.	09/2016

Accomplishments

- Issued a policy memorandum for general ledger-level journal vouchers in 05/2016.
- Identified journal vouchers at the general ledger-level and completed first review of recurring journal vouchers.

Challenges

- Documenting the processes that are triggering adjustments and re-engineering them to eliminate the need for journal vouchers.
- Modernizing systems to reduce the number of general ledger systems, interfaces, and adjustment entry points.

Existence and Completeness – Real Property (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2016
Interim Milestones	
Complete physical inventory collect supporting documentation for 12 Installations.	✓
Submit physical inventory and supporting documentation findings to the 12 installations.	✓
Installations correct physical inventory and supporting documentation findings within the APSR.	✓
Develop strategy for remaining installations (Total Force) including guidelines for completing physical inventory, collecting supporting documentation, developing corrective actions, and updating policy.	✓
Issue policy updates.	✓
Complete physical inventory, prioritize supporting documentation collection, and begin reporting on corrective actions for remaining installations.	06/2016
Update APSR with all major findings and changes for remaining installations.	09/2016

Accomplishments

- Completed a physical inventory and collected supporting documentation as of 12/2015 for 12 installations (a representative base from each MAJCOM).
- Established MilBook suite to complement a SharePoint site for Real Property, specifically for FIAR and a FIAR clearing house.
- Completed a strategy for remaining installations, corrective actions, and policy updates.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2017
Interim Milestones	
Design and Construct – Stakeholders collaborate and develop strategy that includes policy revisions, process improvements, and system updates.	09/2016
Implement – Stakeholders ensure process owners execute the go-forward strategy developed in the Design and Construct phase.	03/2017
Validate – Test go-forward processes to verify operational effectiveness. Track and report progress.	09/2017

Accomplishments

- Engaged stakeholders to begin the Design and Construct phase of the go-forward strategy. The Air Force conducted Real Property summits in 01/2016 and 02/2016 with representatives from SAF/FMF, A4C, Air Force Civil Engineer Center (AFCEC) AFCEC, ANG/A7, AFRC/A4, and installations.

Challenges

- A delay in corrective action implementation will result in slippages of the implementation and validation of the go-forward strategy.
- Increasing Real Property core capabilities through training, educating and mentoring.

Challenges

- Having adequate time to correct extensive deficiencies and still meet accelerated interim milestones.
- Developing effective accounting and financial data accounting and balance sheet reconciliation process through a comprehensive, joint functional Construction in Progress working group.
- Increasing Real Property core capabilities through training, educating, and mentoring.

Existence and Completeness – General Equipment (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	06/2016
Interim Milestones	
Complete existence and completeness assessment of Special Tools/Special Test Equipment assets and Research Development Test and Evaluation assets.	✓
Complete existence, completeness and rights internal control and supporting documentation testing of Government Furnished Equipment assets.	✓

Accomplishments

- Sustaining existence, completeness, and rights internal controls and tested supporting documentation for General and Military Equipment.
- Drafted a Government Furnished Equipment process guide detailing the end-to-end asset accountability procedures.
- Improved accountability by entering the inventory of Special Tools and Special Test Equipment into the accountable property system of record, AFEMS.

Challenges

- None

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Establish updated corrective action plans for General Equipment.	✓
Establish updated corrective action plans for Government Furnished Equipment assets.	✓
Establish updated corrective action plans for Military Equipment assets.	✓

Accomplishments

- Developed functional DPAS Financial Improvement Plan outlining requirements to mandate DPAS as the primary accountable property system of record for vehicles.
- Achieved approximately 94 percent Government Furnished Equipment contract clause compliance and approximately 91 percent Government Furnished Equipment attachment compliance.

Challenges

- Completing AFEMS modifications in time for audit.

Existence and Completeness – Internal Use Software (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	06/2016
Interim Milestones	
Air Force will report an Internal Use Software balance of zero, per OUSD(C) guidance.	✓
Determine Internal Use Software APSR.	06/2016

Accomplishments

- None

Challenges

- None

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Design the to-be business process.	08/2016
Implement go-forward process.	09/2016
Validate go-forward process after implementation.	03/2017

Accomplishments

- None

Challenges

- None

Existence and Completeness – Inventory and Related Property (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	06/2016
Interim Milestones	
Establish baseline for Inventory (Base).	✓
Establish baseline for Inventory (Medical/Dental).	✓
Establish baseline for Inventory (Depot).	06/2016

Accomplishments

- Asserted existence and completeness for Inventory (Base).
- Developed and validated Inventory (Depot) process flows, narratives, and risk matrix through assertion testing.
- Documented deficiencies and developed corrective action plans.

Challenges

- Completing corrective actions for Inventory and reconciliation procedures in accordance with accounting and auditing standards.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	06/2016
Interim Milestones	
Complete MOUs with service providers.	✓
Update policy over inventory and reconciliation procedures to support audit readiness.	✓
Implement sustainment activities.	✓

Accomplishments

- Developed sustainment testing plan to review end-to-end transaction processes.

Challenges

- Negotiating a revision to the established MOU with DLA to support control and audit readiness for Inventory (Depot) activities performed by DLA.
- Updating policy over inventory and reconciliation procedures for organic and contractor supply and maintenance activities.

Valuation – Real Property (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	03/2017
Interim Milestones	
Complete physical inventory and collect supporting documentation for 12 Installations.	✓
Submit physical inventory and supporting documentation findings to the 12 installations.	✓
Installations correct physical inventory and supporting documentation findings within APSR.	✓
Develop strategy for remaining installations (Total Force) including guidelines for completing physical inventory, collecting supporting documentation, developing corrective actions, and updating policy.	✓
Complete plant replacement value calculation for the 12 installations.	06/2016
Installations make appropriate updates within APSR.	09/2016
Complete physical inventory, prioritize supporting documentation collection, and begin reporting on corrective actions for remaining installations.	06/2016
Update APSR with all findings and changes for remaining installations.	09/2016
Complete plant replacement value calculation for remaining Installations and update APSR.	03/2017

Accomplishments

- Completed physical inventory and collected supporting documentation as of 12/2015 for 12 installations (a representative base from each MAJCOM).
- Communicated strategy for remaining installations, corrective actions and policy updates.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	09/2017
Interim Milestones	
Design and Construct – Stakeholders collaborate and develop strategy that includes policy revisions, process improvements and system updates.	09/2016
Implement – Stakeholders ensure process owners begin executing the go-forward strategy developed in the Design and Construct phase.	03/2017
Validate – Test go-forward processes to verify operational effectiveness. Track and report progress.	09/2017

Accomplishments

- Engaged stakeholders to begin the Design and Construct phase of the go-forward strategy.
- Conducted Real Property Summits in 01/2016 and 02/2016 with representatives from SAF/FMF, A4C, AFCEC, AFRC/A4, ANG/A7, and installations.
- Began developing draft go-forward strategy.

Challenges

- Any delay in corrective action implementation will result in slippages of the implementation and validation of the go-forward strategy.
- Increasing Real Property core capabilities through training, education, and mentoring.

FIAR Plan Status Report

- Established MilBook Suite and Real Property FIAR clearing house to complement a SharePoint site, specifically focused on FIAR activities.

Challenges

- Accelerating the critical capability milestone for an auditable valuation baseline from 03/2017 to 09/2016 per the OUSD(C) issued alternative valuation memorandum for opening balances. Applying Plant Replacement Value template (undeflated) and implementing guidance around estimating remaining useful life at baseline for each asset.
- Having adequate time to correct extensive deficiencies and still meet accelerated interim milestones.
- Ensuring baseline and go-forward activities are concurrent. Any delay in strategy will ultimately cause a delay in baseline efforts.
- Increasing Real Property core capabilities through training, education, and mentoring.

Valuation – General Equipment (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	03/2017
Interim Milestones	
Complete remaining General Equipment subclasses.	03/2017

Accomplishments

- None

Challenges

- Resource constraints may cause delays in timely accomplishing tasks.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Implement Interim manual go-forward process.	09/2016
Validate Interim manual go-forward process.	03/2017

Accomplishments

- Confirmed stakeholders and designed a go-forward process using prior assessments of end-to-end processes, controls, supporting documentation, and systems.

Challenges

- Timely achievement of go-forward process due to potential System development delays, requirements, and funding
- Manual, interim solutions triggering additional oversight requirements for internal controls and additional resources.

Valuation – Internal Use Software (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	03/2017
Interim Milestones	
Air Force will report an Internal Use Software balance of zero, per OUSD(C) guidance.	✓

Accomplishments

- None

Challenges

- None

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Design the to-be business process.	8/2016
Implement go-forward process.	9/2016
Validate go-forward process after implementation.	03/2017

Accomplishments

- None

Challenges

- None

Valuation – Inventory and Related Property (Working Capital Fund)

Critical Capability	Completion
A) Establish an auditable valuation baseline.	03/2017
Interim Milestones	
Complete Inventory (Depot).	03/2017
Complete Inventory (Base).	03/2017
Complete Inventory (Medical/Dental).	03/2017

Accomplishments

- Documented Moving Average Cost calculation for Inventory (Depot).
- Began Inventory (Base) valuation discovery.

Challenges

- Completing corrective actions for Inventory and reconciliation procedures in accordance with accounting and auditing standards
- Obtaining supporting IT controls documentation for DMLSS.

Critical Capability	Completion
B) Establish an auditable process for go-forward activity.	03/2017
Interim Milestones	
Complete Inventory (Depot).	03/2017
Complete Inventory (Base).	03/2017
Complete Inventory (Medical/Dental).	03/2017

Accomplishments

- Documented Moving Average Cost calculation for Inventory (Depot).
- Began Inventory (Base) valuation discovery.

Challenges

- Completing corrective actions for inventory and reconciliation procedures in accordance with accounting and auditing standards
- Implementing IT system updates and modernizing IT infrastructure.
- Obtaining SSAE No. 16 examination reports and documentation from service providers in time to support annual audit activities.

IT Systems Critical to Audit

The Air Force completed a thorough review of its IT environment and identified approximately 45 system or system enclaves that directly support Air Force financial processes. The large number of IT systems that process financial information presents a significant challenge to audit readiness. The Air Force is deploying modernized systems that will consolidate its systems footprint, as well as looking for additional ways to reduce the IT environment in the future.

Approach

The Air Force defined five critical activities to help pinpoint where IT needs to be improved in order to make business and audit processes more efficient and support accountability of financial data. These activities align directly with FIAR Guidance and allow for a continuous cycle of improvement that is shared throughout the functional communities. The five critical activities for each Air Force IT system are:

1. Complete FISCAM assessments for application controls.
2. Complete FISCAM assessments for general controls.
3. Complete DFAS Blue Book assessments for accounting conformance.
4. Analyze assessment results, and develop and implement corrective actions to resolve issues or mitigate risks.
5. Validate corrective actions have been completed and the systems are audit ready.

Assessments (FISCAM and Blue Book)

All Air Force-owned systems that support financial processes receive audit-like assessments based on control objectives in the FISCAM and on system requirements in the DFAS Blue Book for accounting conformance. Deficiencies outlined within the assessments are

analyzed against established control frameworks to determine weaknesses and help prioritize corrective actions. The assessments also help prepare Air Force systems owners for the rigor of a financial audit and provide an auditor's perspective on the effectiveness of their controls and security of their system.

Corrective Action and Validation

After identifying issues through the assessments, functional system owners and program offices develop corrective actions. The Air Force closely tracks and monitors corrective action progress to ensure all aspects of the issues have been resolved. By monitoring and validating corrective actions in one system, lessons learned can be applied to other systems, saving time and resources.

IT Systems Status

Immediately following are critical capabilities charts for IT Controls containing the dates for achieving the capability, accomplishments, and challenges. Figure IV-6 presents more information on the status of systems material to audit readiness.

Information Technology

General Fund

Critical Capability	Completion
A) Implement critical information technology general and application controls for material, financially- relevant systems.	03/2017
Interim Milestones	
Complete IT application control FISCAM procedures.	12/2016
Complete IT general control FISCAM procedures.	12/2016
Complete Blue Book assessment.	04/2016
Develop and implement corrective action plans.	03/2017
Validate audit readiness.	03/2017

Accomplishments

- Completed application and general control FISCAM assessments for 37 of 41 General Fund systems.
- Completed Blue Book assessments for 28 of 38 systems.
- Implemented 122 of 171 corrective action plans.
- Completed 2015 SBA IPA examination and developed corrective action plans to address findings.

Challenges

- Integrating IT systems and common data standards for financial information exchange.
- Developing or modifying policies, standards, and procedures addressing financial system account management, audit log management, configuration management, interface review and reconciliation, and segregation of duties for implementation consistency across Air Force financial systems.

Working Capital Fund

Critical Capability	Completion
A) Implement critical information technology general and application controls for material, financially- relevant systems.	03/2017
Interim Milestones	
Complete IT application control FISCAM procedures.	12/2016
Complete IT general control FISCAM procedures.	12/2016
Complete Blue Book assessment.	04/2016
Develop and implement corrective action plans.	03/2017
Validate audit readiness.	03/2017

Accomplishments

- Completed application and general control FISCAM assessments for 10 of 14 Working Capital Fund systems.
- Completed Blue Book assessments for 9 of 11 systems.
- Implemented 25 of 31 IT corrective action plans.
- Completed 2015 SBA IPA examination and developed corrective action plans to address findings.

Challenges

- Integrating IT systems and common data standards for financial information exchange.
- Developing or modifying policies, standards, and procedures addressing financial system account management, audit log management, configuration management, interface review and reconciliation, and segregation of duties for implementation consistency across Air Force financial systems.

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Figure IV-6. Systems Material to Air Force Audit Readiness (✓ = Completed)

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Air Force	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Statement of Budgetary Resources - Air Force Systems									
ABS	AFWCF Spending Authority - CSAG-MD; AFWCF Revenue - CSAG-MD; AFWCF Financial Reporting; AFWCF Expenses - CSAG-MD	Air Force	Air Force	✓	✓	✓	✓	✓	✓
ABSS	Vendor Pay; Large Contracts; Reimbursable Budget Authority and Execution	Air Force	Air Force	✓	✓	✓	✓	✓	✓
ACPS	Vendor Pay; Large Contracts	Air Force	Air Force	✓	✓	✓	✓	✓	✓
AFM	Appropriations Received	Air Force	Air Force	✓	✓	✓	✓	✓	✓
AFPROMS (WAPS)	Military Pay	Air Force	Air Force	✓	09/2016	✓	✓	✓	09/2016
APO	AFWCF Spending Authority - CSAG-MD; AFWCF Revenue - CSAG-MD	Air Force	DISA	✓	✓	✓	✓	✓	✓
AROWS	Travel Payment Military PCS; Military Pay	Air Force	Air Force	✓	✓	✓	✓	✓	✓
AROWS-R	Travel Payment Military PCS; Military Pay	Air Force	Air Force	✓	✓	✓	✓	✓	✓
CMOS	Vendor Pay	Air Force	DISA	✓	✓	✓	✓	✓	✓
ConWrite	Vendor Pay; Large Contracts	Air Force	Air Force	✓	✓	✓	✓	✓	✓
CRIS	Real Propert; Valuation of Real Property; Environmental Liabilities-BRAC; Environmental Liabilities	Air Force	DISA	✓	✓	✓	✓	✓	✓
DEAMS	All	Air Force	Air Force	✓	✓	✓	✓	✓	✓
DMAPS	Civilian Pay (Joint); AFWCF Spending Authority - CSAG-MD; AFWCF Revenue - CSAG-MD; AFWCF Expenses - CSAG-MD	Air Force	Air Force	06/2016	12/2016	06/2016	12/2016	06/2016	12/2016

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Air Force	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
ILS-S	MILSTRIP; AFWCF Expenses – Supply; AFWCF Expenses - CSAG-MD; AFWCF Spending Authority Earned – ILSS; AFWCF Revenue – ILSS	Air Force	Air Force	✓	✓	✓	✓	✓	✓
IMPS	Military Pay	Air Force	DISA	✓	✓	✓	✓	✓	✓
JOCAS II	Reimbursable Budget Authority Execution; Civilian Pay; Civilian Pay (Joint)	Air Force	Air Force	✓	✓	✓	✓	✓	✓
MILPDS	Military Pay	Air Force	DISA	✓	✓	✓	✓	✓	✓
PBASweb	Military Pay	Air Force	Air Force	06/2016	12/2016	06/2016	12/2016	06/2016	12/2016
PMRT	Reimbursable Budget Authority and Execution	Air Force	Army	✓	09/2016	✓	✓	✓	09/2016
PRPS	AFWCF Spending Authority - CSAG-MD	Air Force	DISA	03/2017	03/2017	03/2017	03/2017	03/2017	03/2017
RTS	Travel Pay TDY; Civilian PCS; Travel Mil PCS	Air Force	Air Force	✓	✓	✓	✓	✓	✓
SAMIS	Reimbursable Budget Authority and Execution	Air Force	DISA	✓	✓	✓	✓	✓	✓
SCS	Vendor Pay; MILSTRIP; AFWCF Expenses – Supply; AFWCF Spending Authority Earned and Collected – SCS; AFWCF Revenue – SCS; AFWCF Expenses - CSAG-MD; AFWCF Expenses - Supply	Air Force	DISA	✓	✓	✓	✓	✓	✓
SPS	Vendor Pay; Large Contracts	Air Force	Air Force	✓	✓	✓	✓	✓	✓
UTAPSWeb	Military Pay	Air Force	Air Force	✓	07/2016	✓	✓	✓	07/2016
Mission-Critical Assets Existence and Completeness, Valuation – Air Force Systems									
ABSS	Real Property	Air Force	Air Force	✓	✓	✓	✓	✓	✓
ACES	Real Property	Air Force	DISA	✓	03/2017	✓	✓	✓	03/2017

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Air Force	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
ADIS	Inventory/ Operating Materials and Supplies Depot (valuation); Inventory/ Operating Materials and Supplies (Base possessed) (valuation)	Air Force	Air Force	03/2017	03/2017	03/2017	03/2017	03/2017	03/2017
AF DSS	Inventory/Operating Materials and Supplies Depot	Air Force	DISA	✓	✓	✓	✓	✓	✓
AFEMS	General Equipment (All); General Equipment – IT; Government Furnished Equipment	Air Force	Air Force	✓	✓	✓	✓	✓	✓
ALMSS	Inventory/Operating Materials and Supplies Depot	Air Force	Air Force	✓	✓	✓	✓	✓	✓
CAS	Operating Materials and Supplies – Munitions	Air Force	Air Force	✓	✓	✓	✓	✓	✓
CAV AF	Inventory/Operating Materials and Supplies Depot	Air Force	Air Force	✓	✓	✓	✓	✓	✓
CDAS	Inventory/Operating Materials and Supplies Depot	Air Force	Air Force	✓	09/2016	✓	✓	✓	09/2016
CEMS (D042)	Spare Engines	Air Force	DISA	✓	✓	✓	✓	✓	✓
CIDS	Inventory/ Operating Materials and Supplies Depot (valuation); Inventory/ Operating Materials and Supplies (Base possessed) (valuation)	Air Force	Air Force	03/2017	03/2017	03/2017	03/2017	03/2017	03/2017
CRIS	Real Property; Valuation of Real Property; Environmental Liabilities-BRAC; Environmental Liabilities	Air Force	DISA	✓	✓	✓	✓	✓	✓
ILS-S	Inventory / Operating Materials and Supplies (Base Possessed); Inventory/Operating Materials and Supplies Depot (valuation); General Equipment; Inventory/ Operating Materials and Supplies Depot; Government Furnished Equipment	Air Force	DISA	✓	✓	✓	✓	✓	✓
IMDB	Uninstalled Missile Motors	Air Force	Air Force	✓	09/2016	✓	✓	✓	09/2016
IMDS	Spare Engines	Air Force	DISA	✓	12/2016	✓	✓	✓	12/2016

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Air Force	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
IWIMS	Real Property	Air Force	DISA	✓	03/2017	✓	✓	✓	03/2017
NexGen IT	Real Property	Air Force	DISA	✓	12/2016	✓	✓	✓	12/2016
RAMPOD	Military Equipment	Air Force	Air Force	✓	07/2016	✓	✓	✓	07/2016
REMIS	Military Equipment; Aerial Targets and Drones; Cruise Missiles	Air Force	Air Force	✓	✓	✓	✓	✓	✓
SCS	Inventory/Operating Materials and Supplies Depot; Government Furnished Equipment	Air Force	DISA	✓	✓	✓	✓	✓	✓
Balance Sheet - Air Force Systems									
EESOH - MIS	Environmental Liabilities Restoration; Environmental Liabilities-Other	Air Force	DISA	✓	07/2016	✓	✓	✓	07/2016
FMSuite	Environmental Liabilities-BRAC	Air Force	Air Force	06/2016	12/2016	06/2016	12/2016	06/2016	12/2016
IIT	Environmental Liabilities-BRAC	Air Force	Air Force	✓	09/2016	✓	09/2016	✓	09/2016
MXT	Environmental Liabilities-BRAC	Air Force	Air Force	✓	07/2016	✓	07/2016	✓	07/2016
Statement of Budgetary Resources – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Civilian Pay; Civilian Pay (Joint); Net Outlays	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
BAM IN-SOURCING	Large Contracts - Contract & Vendor Pay; Improper Payments for: One Pay, CAPSW, IAPS, EBS and MOCAS; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	03/2017	03/2017
DAAS/GEX	Vendor Pay, Supply Requisition (MILSTRIP); Spending Authority (SCS); Accounts Payable/Accounts Receivable; Reimbursable Budget Authority and Execution; Net Outlays	DLA	DLA	✓	✓	✓	✓	✓	03/2017
DCPDS	Civilian Pay; Civilian Pay (Joint)	DCPAS	Commercial Vendor	✓	✓	✓	03/2017	✓	03/2017
DCPS	Civilian Pay, Disbursing; Civilian Pay (Joint); Other Liabilities; Accounts Payable/Accounts Receivable; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Air Force	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
DDRS-AFS	Financial Reporting	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
DDRS-B	All Financial Reporting	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
DDRS-DCM	Financial Reporting	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
DJMS-AC	Military Pay; Net Outlays; Other Liabilities; Accounts Payable/Accounts Receivable; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
DJMS-RC	Military Pay; Net Outlays; Other Liabilities; Accounts Payable/Accounts Receivable; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
DMO (Web)	Military Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
DTS	Travel TDY	DMDC	Commercial Vendor	✓	✓	✓	✓	✓	03/2017
EAS	Contracts (Major) - Contractual Services & Acquisition of Assets; Large Contracts; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
EUD (APVM/PPVM)	Vendor Pay; Large Contracts; Contracts (Major) - Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
GEX	Vendor Pay; Large Contracts	DLA	DLA						
iRAPT	Vendor Pay; Real Property; Valuation of Real Property; Large Contracts ; Munitions; Valuation of Operating Materials and Supplies /Inventory; Environmental Liabilities-BRAC; Environmental Liabilities	DLA	DISA	✓	✓	✓	✓	✓	03/2017
MOCAS	Large Contracts; Net Outlays; Other Liabilities; Accounts Payable/Accounts Receivable; Environmental Liabilities-BRAC; Environmental Liabilities; Balance Sheet	DCMA	DISA	✓	✓	✓	✓	✓	03/2017
		DFAS	DISA	✓	✓	✓	✓	✓	03/2017

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Air Force	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
SCRT	Large Contracts; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
Statement of Budgetary Resources – Service Provider Systems (Non-SSAE No. 16 Examinations)									
ATAAPS	Civilian Pay; Civilian Pay (Joint)	DISA	DISA	03/2017	03/2017	✓	✓	✓	✓
CDS: ADS-3801	Net Outlays; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
DCMS	Financial Reporting; Balance Sheet; Civilian Pay; Military Pay; Net Outlays; Accounts Payable/Accounts Receivable	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
DIFMS	AFWCF Spending Authority - CSAG-MD; AFWCF Revenue - CSAG-MD; AFWCF Financial Reporting ; SBR Beginning Balances; AFWCF Expenses - CSAG-MD; SBR/ Activity; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
DMLSS	Military Standard Requisitioning & Issue Procedures (MILSTRIP); Capitalized Medical Equipment; Valuation of General Equipment; AFWCF Revenue and Spending Authority – MedDent; AFWCF Expenses – MedDent; Inventory (Med/Dent)	DHA	DHA	03/2017	03/2017	03/2017	03/2017	03/2017	03/2017
eTools	Large Contracts	DFAS	DCMA						
GAFS-R: All Modules	All Financial Reporting	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
IAPS	Vendor Pay; Accounts Payable/Accounts Receivable; Environmental Liabilities-BRAC; Environmental Liabilities; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	N/A	N/A

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Air Force	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
SMAS	MILSTRIP; Inventory/ Operating Materials and Supplies (Base Possessed); Valuation of Operating Materials and Supplies /Inventory; AFWCF Spending Authority Earned – ILSS; AFWCF Spending Authority Earned and Collected – SCS; AFWCF Financial Reporting ; SBR Beginning Balances; AFWCF Expenses – Supply; Inventory/ Operating Materials and Supplies Depot; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
Syncada	Vendor Pay	Commercial Vendor	Commercial Vendor	03/2017	03/2017	03/2017	03/2017	03/2017	03/2017
Mission-Critical Assets Existence and Completeness – Service Provider Systems (SSAE No. 16 Examinations)									
DSS	Government Furnished Equipment; Valuation of General Equipment; AFWCF Expenses - CSAG-MD; Inventory/ Operating Materials and Supplies Depot	DLA	DISA	✓	✓	✓	✓	✓	✓
iRAPT	Vendor Pay; Real Property; Valuation of Real Property; Large Contracts; Munitions; Valuation of Operating Materials and Supplies /Inventory; Environmental Liabilities-BRAC; Environmental Liabilities	DLA	DISA	✓	✓	✓	✓	✓	03/2017
Mission-Critical Assets Existence and Completeness – Service Provider Systems (Non-SSAE No. 16 Examinations)									
CAMS-FM	Spare Engines; Valuation of Operating Materials and Supplies /Inventory	USTRANSCOM	DoD Core Data Center	03/2017	03/2017	03/2017	03/2017	03/2017	03/2017
CEFMS	Real Property; Valuation of Real Property	Army	Army	✓	N/A	✓	✓	03/2017	03/2017
DIFMS	AFWCF Spending Authority - CSAG-MD; AFWCF Revenue - CSAG-MD; AFWCF Financial Reporting; SBR Beginning Balances; AFWCF Expenses - CSAG-MD; SBR / Activity; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
FIS 2.0	Real Property; Valuation of Real Property	Navy	Navy	N/A	N/A	✓	✓	✓	03/2016

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Air Force	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
GAFS-R: All Modules	All-Financial Reporting	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
INFADS	Real Property; Valuation of Real Property	Navy	Navy	N/A	N/A	✓	✓	03/2017	03/2017
SMAS	MILSTRIP; Inventory/ Operating Materials and Supplies (Base Possessed); Valuation of Operating Materials and Supplies /Inventory; AFWCF Spending Authority Earned – ILSS; AFWCF Spending Authority Earned and Collected – SCS; AFWCF Financial Reporting; SBR Beginning Balances; AFWCF Expenses – Supply; Inventory/ Operating Materials and Supplies Depot; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	N/A	N/A
Balance Sheet – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Civilian Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
BAM IN-SOURCING	Large Contracts - Contract & Vendor Pay; Improper Payments for: One Pay, CAPSW, IAPS, EBS & MOCAS; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	03/2017	03/2017
DCPS	Civilian Pay, Disbursing; Civilian Pay (Joint); Other Liabilities; Accounts Payable/Accounts Receivable; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
DDRS-AFS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
DDRS-B	Financial Reporting ; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
DDRS-DCM	Financial Reporting ; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
DJMS-AC	Military Pay; Net Outlays; Other Liabilities; Accounts Payable/Accounts Receivable; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
DJMS-RC	Military Pay; Net Outlays; Other Liabilities; Accounts Payable/Accounts Receivable; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		Air Force	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
EAS	Contracts (Major) - Contractual Services & Acquisition of Assets; Large Contracts; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
EUD (APVM/PPVM)	Vendor Pay; Large Contracts; Contracts (Major) - Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
MOCAS	Large Contracts; Net Outlays; Other Liabilities; Accounts Payable/Accounts Receivable; Environmental Liabilities-BRAC; Environmental Liabilities; Balance Sheet	DCMA	DISA	✓	✓	✓	✓	✓	03/2017
		DFAS	DISA	✓	✓	✓	✓	✓	03/2017
SCRT	Large Contracts; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	03/2017
Balance Sheet – Service Provider Systems (Non-SSAE No. 16 Examinations)									
CDS: ADS-3801	Net Outlays; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
DCMS	Financial Reporting; Balance Sheet; Civilian Pay; Military Pay; Net Outlays; Accounts Payable/Accounts Receivable	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
DIFMS	AFWCF Spending Authority - CSAG-MD; AFWCF Revenue - CSAG-MD; AFWCF Financial Reporting ; SBR Beginning Balances; AFWCF Expenses - CSAG-MD; SBR / Activity; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
GAFS-R: All Modules	All Financial Reporting	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
IAPS	Vendor Pay; Accounts Payable/Accounts Receivable; Environmental Liabilities-BRAC; Environmental Liabilities; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017

AIR FORCE AUDIT READINESS RESOURCES

Despite challenging budget times, substantial resources have been programmed to support achieving auditable financial statements. The FIAR activities funded by the amounts in Figure IV-7 include:

Audit Readiness, Validations, and Audits

- Completing evaluation, discovery, and corrective actions of the commands and their service providers (e.g., DFAS).
- Testing or verifying audit readiness after completing corrective actions and preparing management assertions.
- Supporting audit infrastructure to sustain audit readiness and support IPA audits, including tools and data repositories.

Financial Systems

- Designing, developing, and deploying audit-ready compliant systems as well as cost-effective changes to legacy systems that will be part of the systems environment.
- Converting and validating data, implementing and testing controls, and documenting systems and processes.

Because ERPs are being deployed to modernize functional as well as financial processes, ERP system deployment costs are not included in audit readiness resources. ERP costs are reported in Section VII, Enterprise Resource Planning Systems. Additionally, changes and improvements to functional and financial processes are continually being made for operational efficiencies and improving controls. The Department has not attempted to capture the costs of process changes made solely for audit readiness, and therefore, resources reported below may not fully capture process improvement costs.

Figure IV-7. Air Force Audit Readiness Resources (Dollars in Millions)

Audit Readiness, Validations, and Audits	48	72	80	79	78	78
Financial Systems	23	30	30	30	30	30
Total Resources	71	102	110	109	108	108

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Message from the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller)

A diverse group of over 50 organizations and funds, the other Defense organizations (ODOs) represent nearly 20 percent of Department of Defense budgetary resources and are critical to both our mission and overall financial audit readiness. Achieving audit readiness is particularly complex for this diverse group, because ODO unique roles cut across the Department, creating many interdependencies. Additionally, the ODOs all share a single appropriation, making it very difficult to trace transactions. Because of their importance, in collective size and in each organization's unique relationship to the DoD mission, we often refer to the ODOs as the "Fourth Estate."



Over a decade ago, the first successful financial audits were completed by six Fourth Estate entities. In sustaining those initial audits, these organizations have provided a model that the Military Departments and ODOs not under audit have learned from and built upon. Today, these six early audit pioneers are sustaining opinions on their financial statements; two others are newly under audit; and an additional three are preparing for fiscal year 2018 standalone financial statement audits.

The remaining organizations and funds are working to achieve audit readiness and will be audited as part of the DoD Consolidated Financial Statements. Using the authority provided by the Deputy Secretary of Defense, through our Chief Financial Officer, and working in partnership with the Office of the Deputy Chief Management Officer, my office is the DoD headquarters element that presents the consolidated agency-wide financial statements for audit. This responsibility, in essence, makes the Deputy Chief Financial Officer the senior financial manager for Fourth Estate financial reporting.

To assist in achieving the September 30, 2017, audit readiness goal, my office, supported by two independent public accounting firms, has established teams of experienced accountants and auditors to guide the Fourth Estate and focus work on the capabilities most critical to passing a financial statement audit. In addition, we are monitoring progress and performing monthly testing to validate improvements. Our top priority is fixing known problems, while also identifying other impediments to producing auditable financial statements. Although significant challenges lie ahead, our senior leaders are committed to audit readiness. I am confident the vast majority of the Fourth Estate, with continued hard work, will meet DoD's goal.

A handwritten signature in black ink, appearing to read 'Mark E. Easton', written over a horizontal line.

Mark E. Easton
Deputy Chief Financial Officer
Office of the Under Secretary of Defense (Comptroller)

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V. Other Defense Organizations Audit Readiness

Six ODOs received audit opinions on their FY 2015 financial statements. As shown in Figure V-1, five ODOs are sustaining unmodified opinions, and one is correcting deficiencies and strengthening controls with the goal of receiving an unmodified opinion.

Figure V-1. FY 2015 Financial Statement Audit Opinions

Unmodified Audit Opinions
Defense Commissary Agency
Defense Contract Audit Agency
Defense Finance and Accounting Service
Defense Health Agency – Contract Resource Management
Military Retirement Fund
Modified Audit Opinion
Medicare-Eligible Retiree Health Care Fund

Defense Intelligence Agencies

The Defense intelligence agencies are on an accelerated schedule to meet the congressionally-mandated deadline of achieving an unmodified audit opinion on their full financial statements. The program managers have certified to the Director of National Intelligence and Congress that audit readiness is a priority and dedicated the resources necessary to achieve this objective.

The Defense intelligence agencies reached a major milestone in FY 2015 with all agencies undergoing an audit of their full financial statements. The National Reconnaissance Office has sustained its seventh unmodified opinion. The National Security Agency, Defense

Intelligence Agency, and National Geospatial-Intelligence Security Agency (NGA), received a disclaimer of opinion, while NGA received the second modified opinion from the examination of its core financial management system.

Although a significant amount of work remains, the Defense intelligence agencies are now better informed and positioned to manage risk, regulate the pace of critical improvements, and align increasingly limited personnel and resources in order to achieve results. The agencies will revise their corrective action plans to reflect the work necessary to resolve the highest priority, auditor-identified material weaknesses and deficiencies; Fund Balance with Treasury; intragovernmental transactions; and property, plant, and equipment.

ODO AUDIT STRATEGY

The ODO audit strategy is integral to the overall DoD strategy. The strategy groups reporting entities into four tiers based on materiality, whether the entity is required by the Office of Management and Budget (OMB) to undergo an audit, and whether the entity is already undergoing a stand-alone audit of its financial statements. The strategy also facilitates a combination of IPA examinations and full financial statement audits to help the Department achieve audit readiness of its consolidated financial statements. As prescribed in the audit strategy, the reporting entities are grouped into four categories:

- Tier 1 – OMB-Designated Audits
- Tier 2 – DoD-Designated Audits
- Tier 3 – DoD-Designated Examinations
- Tier 4 – DoD-Designated Self Assessments

Tier 1 – OMB-Designated Audits

Tier 1 includes the Military Services' General Funds and Working Capital Funds, and the Military Retirement Fund. The Military Retirement Fund prepares standalone financial statements, which have consistently achieved unmodified audit opinions. Tier 1 entities account for about 72 percent of FY 2015 budgetary resources.

See the respective Military Department section for the strategy and status of each Military Service.

Tier 2 – DoD-Designated Audits

Tier 2 ODOs include material Defense Agencies, USSOCOM, USTRANSCOM, and funds that will be separately audited beginning with their FY 2018 financial statements. Tier 2 entities account for about 23 percent of FY 2015 budgetary resources.

Tier 3 – DoD-Designated Examinations

Tier 3 ODOs include the remaining material Defense Agencies and funds and will undergo annual examinations beginning in FY 2017. Tier 3 entities account for about 4 percent of FY 2015 budgetary resources.

Tier 4 – DoD-Designated Self-Assessments

The Defense Agencies, organizations, and funds not included in one of the above categories are not material to the DoD-wide financial statements. These entities will continue to improve internal controls and will be included in audit of the FY 2018 DoD Consolidated Financial Statements. Tier 4 entities account for about 1 percent of FY 2015 budgetary resources.

This section of the report contains detailed audit readiness information and accomplishments for the Tier 2, Tier 3, and Tier 4 ODOs.

LESSONS LEARNED FROM EXAMINATIONS AND MOCK AUDITS

During FY 2015, most of the material ODOs were under either SBA examinations or financial statement mock audits. For most of these ODOs, the examinations and mock audits were the first time the workforce had experienced an audit, providing them an opportunity to understand, firsthand, what an audit entails.

The auditors' reports from the examinations and mock audits identified important audit readiness deficiencies, audit issues, and impediments common among the ODOs, such as:

- Weak entity-level controls
- Incomplete and unreconciled universe of transactions
- Unsupported journal vouchers
- Unsupported open obligation balances
- Incomplete process documentation
- Inability to timely respond to auditor requests for information and transaction supporting documentation

The OUSD(C) is working with the ODOs to ensure timely remediation of the deficiencies, audit issues, and impediments to better position the Department for full audit.

OUSD(C) SUPPORT TO THE ODOs

The OUSD(C) is supporting ODO audit readiness work to address the critical capabilities and has targeted resources to help solve major issues. Tiger teams comprising a government lead and IPA auditors with experience in the critical capability areas have been formed around the issues of:

- Accruals
- Entity-Level Controls

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- Environmental and Disposal Liabilities
- Fund Balance with Treasury
- Journal Vouchers
- Monthly Testing
- Notices of Findings and Recommendations Remediation and Monitoring
- Property, Plant, and Equipment
- Service Providers
- Universe of Transactions
- Vendor Pay

In FY 2016, the tiger teams began discovery work and developing corrective actions. After corrective actions are completed, the Monthly Testing Team assesses and validates that the corrective actions were fully implemented and are being sustained.

Highlights of recent team activities includes:

- Entity-Level Controls Team developed a template to document entity-level controls in alignment with the 17 principles described in the GAO Green Book. The OUSD(C) and ODOs are populating the template, identifying gaps, and developing corrective actions to close the gaps.
- Fund Balance with Treasury Team is working with DFAS to identify root causes of the journal voucher adjustments, reduce the Department's unidentified differences with the Treasury Department to an immaterial amount, and improve business processes to research and resolve the differences.
- Journal Voucher Team is working with DFAS to reduce the volume, frequency, and amount of journal vouchers that are recorded in the preparation of the Department's financial statements.

- Monthly Testing Team began cyclical monthly testing for Tier 2 and Tier 3 ODOs to evaluate their audit infrastructure, availability of supporting documentation, and control operating effectiveness.
- Notice of Findings and Recommendations Remediation and Monitoring Team developed a centralized database of critical audit and examination findings to track and monitor corrective actions and solutions.
- Property, Plant, and Equipment Team updated policy on the valuation of assets to better align with accounting standards. The team is working with the ODOs to implement the policy changes to value Real Property, General Equipment, and Operating Materials and Supplies.
- Service Provider Team, using information from the semiannual systems data call, helped the ODOs identify service providers and systems relevant to internal controls over financial reporting.
- Service Provider Team conducted eight ODO workshops covering complementary user entity controls. Complementary user entity controls highlight the critical actions and roles the Components need to address and complement the service provider's efforts and effectively support audits.

In addition, the OUSD(C) improved ODO reconciliations by developing and training ODO personnel on an automated tool that reconciles detailed transactions to accounting and reporting systems.

Universe of Transactions Pilot

The OUSD(C), working with the DCMO, DoD CIO, DFAS, and USSOCOM is conducting a pilot project to develop and provide an automated capability that will be used by USSOCOM to produce a complete and reconcilable universe of transactions from numerous disparate accounting and feeders systems.

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The pilot project has:

- Defined the approach for feeder system transaction reconciliation.
- Received approval to proceed with alternate technical solution.
- Defined the technical and functional requirements, which have been approved.

Upon successful completion of the pilot, the capability will be implemented for other General Fund Tier 2, Tier 3, and Tier 4 ODOs.

Tier 2 – DoD-Designated Audits

DoD-Designated Audits includes 10 material ODOs and funds that account for 23 percent of DoD budgetary resources. Four of the Tier 2 ODOs are currently under annual full financial statement audits and are receiving unmodified audit opinions. The four ODOs are:

- Defense Commissary Agency (DeCA)
- Defense Contract Audit Agency (DCAA)
- Defense Finance and Accounting Service (DFAS)
- Defense Health Agency – Contract Resource Management (DHA-CRM)

Medicare-Eligible Retiree Health Care Fund (MERHCF) received a modified opinion on its FY 2015 financial statements, and work is taking place to achieve an unmodified opinion.

DISA

DISA's FY 2016 General Fund and Working Capital Fund financial statements are currently under audit. The IPA contract was awarded in May 2016. In preparation for the audit and since the November 2015 FIAR report, DISA:

- Updated process flows and narratives to reflect a recent reorganization.
- Reestablished an audit infrastructure, including a team of accounting and operational subject matter experts.
- Developed new, comprehensive reconciliations to support beginning balances.
- Refined a financial reporting library in SharePoint to hold a large percentage of artifacts normally requested by an auditor.
- Established processes for capital inventories and property management.

Information on DISA's systems material to audit readiness immediately follow this page.

DLA

An IPA audit of DLA's FY 2017 General Fund and Working Capital Fund Financial Statements is expected to begin in June, after a contract is awarded by the end of May 2016. DLA received five NFRs from its FY 2015 SBA audit.

DLA's recent accomplishments, NFR status, and information on systems material to audit follow DISA's information.

DHP, USSOCOM, USTRANSCOM

The remaining Tier 2 ODOs are not yet under audit and audit readiness work continues for:

- Defense Health Program (DHP)
- U.S. Special Operations Command (USSOCOM)
- U.S. Transportation Command (USTRANSCOM)

Critical capability charts and information on systems material to audit readiness for DHP, USSOCOM, and USTRANSCOM are also included in this section.

DEFENSE INFORMATION SYSTEMS AGENCY

Figure V-2. Systems Material to DISA Audit Readiness (✓ = Completed)

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		DISA	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Statement of Budgetary Resources – DISA Systems									
ATAAPS	Civilian Pay	DISA ¹	DISA	✓	✓	✓	✓	✓	✓
DISA WAAS	All	WHS	WHS	✓	✓	✓	✓	09/2016	12/2016
FAMIS CS Mod	All	DISA	DISA	✓	✓	✓	✓	✓	✓
FAMIS EAS	All	DISA	DISA	✓	✓	✓	✓	✓	✓
Balance Sheet – DISA Systems									
DISA WAAS	All	WHS	WHS	✓	✓	✓	✓	09/2016	12/2016
FAMIS CS Mod	All	DISA	DISA	✓	✓	✓	✓	✓	✓
FAMIS EAS	All	DISA	DISA	✓	✓	✓	✓	✓	✓
Statement of Budgetary Resources – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Disbursing; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
ADS IPAC Mega Wizard	Reimbursable Work Orders - Grantor; Reimbursable Work Orders - Acceptor; Fund Balance with Treasury; Disbursing; Financial Reporting; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	09/2016	12/2016
AXOL	Contractual Services & Acquisition of Assets: Disbursing	Commercial Vendor	Commercial Vendor	✓	✓	✓	✓	09/2016	12/2016
BAM ERMP	Contract & Vendor Pay Improper Payments for: One Pay; CAPSW; IAPS; EBS & MOCAS; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	09/2016	12/2016
DAAS/GEX	Contractual Services & Acquisition of Assets; Military Pay	DLA	DLA	✓	✓	✓	✓	09/2016	12/2016
DCPDS	Civilian Pay	DCPAS	Commercial Vendor	✓	✓	✓	✓	09/2016	12/2016

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		DISA	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
DCPDS-DLA	Civilian Pay	DCPAS	Commercial Vendor	✓	✓	✓	✓	09/2016	12/2016
DDRS-AFS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
DDRS-B	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
DDRS-DCM	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
DRRT	Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	09/2016	12/2016
DTS	Contractual Services & Acquisition of Assets; Transportation of People	DMDC	Commercial Vendor	✓	✓	✓	✓	09/2016	12/2016
EUD (APVM/PPVM)	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
iRAPT	Contractual Services & Acquisition of Assets	DLA	DISA	✓	✓	✓	✓	09/2016	12/2016
MOCAS	Contractual Services and Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
SCRT	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
Statement of Budgetary Resources – Service Provider Systems (Non-SSAE No. 16 Examinations)									
CAPS-W	Accounts Payable; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	09/2016	12/2016
DCAS	Contractual Services & Acquisition of Assets; Civilian Pay; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
DCD/DCW	Management Decision Support: Multiple Assessable Units to include Balance Sheet	DFAS	DISA	10/2016	04/2017	10/2016	04/2017	09/2016	12/2016
DDARS	Contract Pay; Fund Balance with Treasury; Reimbursable Work Orders – Grantor; Reimbursable Work Orders – Acceptor; Vendor Pay; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	09/2016	12/2016
EDA	Vendor Pay; Contracts (Major) Contractual Services & Acquisition of Assets	DLA	DISA	✓	✓	✓	✓	09/2016	12/2016
GAFS - DTS	Transportation of People; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		DISA	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
HQARS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
Statement of Budgetary Resources – Other System Owners									
TSP	Disbursing; Civilian Payroll	FRTIB	N/A	01/2017	04/2017	01/2017	04/2017	09/2016	12/2016
Balance Sheet – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Disbursing; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
ADS IPAC Mega Wizard	Reimbursable Work Orders – Grantor; Reimbursable Work Orders – Acceptor; Fund Balance with Treasury; Disbursing; Financial Reporting; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	09/2016	12/2016
DCAS	Contractual Services & Acquisition of Assets; Civilian Pay; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
DCPDS	Civilian Pay	DCPAS	Commercial Vendor	✓	✓	✓	✓	09/2016	12/2016
DCPS	Civilian Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
DDRS-AFS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
DDRS-B	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
DDRS-DCM	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
DRRT	Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	09/2016	12/2016
DTS	Contractual Services & Acquisition of Assets; Transportation of People	DMDC	Commercial Vendor	✓	✓	✓	✓	09/2016	12/2016
EUD (APVM/PPVM)	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
iRAPT	Contractual Services & Acquisition of Assets	DLA	DISA	✓	✓	✓	✓	09/2016	12/2016
MOCAS	Contractual Services and Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
SCRT	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		DISA	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Balance Sheet – Service Provider Systems (Non-SSAE No. 16 Examinations)									
CAPS-W	Accounts Payable; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	09/2016	12/2016
DCAS	Contractual Services & Acquisition of Assets; Civilian Pay; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
DCD/DCW	Management Decision Support: Multiple Assessable Units to include Balance Sheet	DFAS	DISA	10/2016	04/2017	10/2016	04/2017	09/2016	12/2016
DDARS	Contract Pay; Fund Balance with Treasury; Reimbursable Work Orders – Grantor; Reimbursable Work Orders – Acceptor; Vendor Pay; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	09/2016	12/2016
EDA	Vendor Pay; Contracts (Major) Contractual Services & Acquisition of Assets	DLA	DISA	✓	✓	✓	✓	09/2016	12/2016
GAFS - DTS	Transportation of People; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
HQARS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	09/2016	12/2016
Balance Sheet – Other System Owners									
TSP	Disbursing; Civilian Payroll	FRTIB	N/A	01/2017	04/2017	01/2017	04/2017	09/2016	12/2016

DEFENSE LOGISTICS AGENCY

In June 2016, an IPA will begin an audit of DLA’s FY 2017 General Fund and Working Capital Fund financial statements. This represents a significant accomplishment for the Department’s largest combat support agency providing worldwide logistics support in peacetime and wartime to the Military Services and several civilian agencies and foreign countries.

Accomplishments

- Underwent an examination of its inventory assertion by the DoD OIG. DLA received a modified opinion, validating the DLA existence and completeness assertion related to DLA’s accountable property system of record.
- DLA completed corrective actions for two NFRs from the FY 2015 SBA audit. The corrective actions ensure sufficient

audit evidence is maintained and appropriation transfers are recorded correctly.

Notices of Findings and Recommendations

DLA received five NFRs from its FY 2015 SBA audit. The NFRs were prioritized as three critical and two observational. DLA completed corrective actions for two of the critical NFRs and created a corrective action plan for the remaining critical NFR. DLA also implemented corrective actions to address the two observational NFRs. DLA senior management monitors critical NFRs and reports progress monthly to the ODO Subcommittee.

Figure V-3 identifies material weaknesses and NFRs, and the dates when the weaknesses and NFRs will be corrected.

Figure V-3. Defense Logistics Agency Material Weaknesses and Notices of Findings and Recommendations (✓ = Completed)

Material Weaknesses	Corrective Actions	Completion
Financial Reporting		
Lack of sufficient audit evidence.	Clarified evidential matter requirements relative to the proper receipt and acceptance of Military Interdepartmental Purchase Request (MIPR) orders. <ul style="list-style-type: none"> • Published instructions specifying evidential matter requirements for receipt and acceptance of MIPR orders • Conducted weekly MIPR user discussions • Established MIPR Help Desk to assist users • Tested internal control over invoices • Issued memorandums and an evidential matter matrix, outlining the required evidential matter for DLA-processed transactions 	✓

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Material Weaknesses	Corrective Actions	Completion
Inability to support completeness of disbursements and collections.	Developed corrective actions that tie to the OUSD(C) FIAR tiger team’s schedule. Once completed, this plan will establish an improved process for identifying differences between the Cash Management Report and Treasury Department, and implement a monitoring control for reviewing the Cash Management Report to Treasury variances, ensuring they are addressed timely.	09/2016
Appropriation transfer incorrectly recorded.	Collaborated with OUSD(C) to update PBAS to ensure reprogrammed appropriations are properly recorded. Updated the standard operating procedures. Revised the Trial Balance Management Process Cycle Memoranda to ensure authorized appropriation transfers are timely and accurately reflected in the financial statement.	✓
Samples selected from the Enterprise Business System general ledger extract could not be tied directly to the supporting documentation provided using the existing data fields.	Developed an auditor’s guide on Enterprise Business System evidential matter retrieval procedures that will be provided to the IPA as a reference guide for data sampling.	✓
The accounting treatment used is not compliant with the standard transactions defined by the USSGL Treasury Financial Manual.	Received updated guidance from OUSD(C) and assessing compliance.	✓

FIAR Plan Status Report

Figure V-4. Systems Material to DLA Audit Readiness (✓ = Completed)

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		DLA	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Statement of Budgetary Resources – DLA Systems									
DAAS/GEX	All	DLA	DLA	✓	✓	✓	✓	✓	✓
DAI	Civilian Pay; Contractual Services & Acquisition of Assets; Reimbursable Work Orders (Acceptor/Grantor); Transportation of People; Fund Balance with Treasury; Financial Reporting	DLA	DISA	✓	✓	✓	✓	✓	✓
DMLSS-W (MRA and ECAT)	Procure to Pay / Order to Cash	DLA	DISA	✓	✓	✓	✓	✓	✓
DOD eMALL	Procure to Pay / Order to Cash	DLA	DISA	✓	✓	✓	✓	✓	✓
EAGLE	Hire to Retire	DLA	DISA	✓	✓	✓	✓	✓	✓
EBS	All	DLA	DISA	✓	✓	✓	✓	✓	✓
EDA	Procure to Pay	DLA	DISA	✓	✓	✓	✓	✓	✓
iRAPT	Procure to Pay / Order to Cash	DLA	DISA	✓	✓	✓	✓	✓	✓
STORES	Order to Cash	DLA	DISA	✓	✓	✓	✓	✓	✓
Mission-Critical Assets Existence and Completeness – DLA Systems									
DOD eMALL	Procure to Pay / Order to Cash	DLA	DISA	✓	✓	✓	✓	✓	✓
DLA-DSS	Procure to Pay / Order to Cash	DLA	DISA	✓	✓	✓	✓	✓	✓
EBS	All	DLA	DISA	✓	✓	✓	✓	✓	✓
FMD	Order to Cash	DLA	DISA	✓	✓	✓	✓	✓	✓
STORES	Order to Cash	DLA	DISA	✓	✓	✓	✓	✓	✓
Balance Sheet – DLA Systems									
DAI	Civilian Pay; Contractual Services & Acquisition of Assets; Reimbursable Work Orders (Acceptor/Grantor); Transportation of People; Fund Balance with Treasury; Financial Reporting	DLA	DISA	✓	✓	✓	✓	✓	✓

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		DLA	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Statement of Budgetary Resources – Service Provider Systems (SSAE No. 16 Examinations)									
ADS IPAC Mega Wizard (new system environment)	Reimbursable Work Order - Grantor; Reimbursable Work Order - Acceptor; Fund Balance with Treasury; Disbursing; Financial Reporting; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	N/A	N/A
BAM ERMP	Contract & Vendor Pay Improper Payments for: One Pay; CAPSW; IAPS; EBS & MOCAS; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	07/2016	09/2016
DCPDS	Civilian Pay	DCPAS	Commercial Vendor	✓	✓	✓	✓	07/2016	09/2016
DCPS	Civilian Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	07/2016	09/2016
DTS	Hire to Retire	DMDC	Commercial Vendor	✓	✓	✓	✓	✓	✓
BEIS:DDRS-AFS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	07/2016	09/2016
BEIS: DDRS-B	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	07/2016	09/2016
BEIS: DDRS-DCM	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	07/2016	09/2016
DRRT	Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	07/2016	09/2016
DTS	Hire to Retire	DMDC	Commercial Vendor	✓	✓	✓	✓	✓	✓
Statement of Budgetary Resources – Service Provider Systems (Non-SSAE No. 16 Examinations)									
DCD/DCW	Management Decision Support; Multiple Assessable Units to include Balance Sheet	DFAS	DISA	10/2016	04/2017	10/2016	04/2017	10/2016	04/2017
HQARS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	07/2016	09/2016
PBAS-FD	Funds Receipt and Distribution Management; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	07/2016	09/2016

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		DLA	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Balance Sheet – Service Provider Systems (SSAE No. 16 Examinations)									
BAM ERMP	Contract & Vendor Pay Improper Payments for: One Pay; CAPSW; IAPS; EBS & MOCAS; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	07/2016	09/2016
DCPS	Civilian Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	07/2016	09/2016
BEIS:DDRS-AFS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	07/2016	09/2016
BEIS: DDRS-B	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	07/2016	09/2016
BEIS: DDRS-DCM	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	07/2016	09/2016
DRRT	Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	07/2016	09/2016
Balance Sheet – Service Provider Systems (Non-SSAE No. 16 Examinations)									
CEFMS	Acquire to Retire	Army	Army	✓	✓	✓	✓	07/2016	09/2016
DCD/DCW	Management Decision Support; Multiple Assessable Units to include Balance Sheet	DFAS	DISA	10/2016	04/2017	10/2016	04/2017	10/2016	04/2017
HQARS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	07/2016	09/2016
PBAS-FD	Funds Receipt and Distribution Management; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	07/2016	09/2016

DEFENSE HEALTH PROGRAM

The Defense Health Program comprise the Defense Health Agency (DHA), Military Department's Service Medical Activities, and supporting DHA Directorates, providing worldwide healthcare services for the Armed Forces, family members, and other entitled to health care. DHP also includes MERHCF, the Medicare-Eligible Retiree Health Care Fund.

DHP is preparing for an IPA audit of its FY 2018 financial statements and is working to remediate remaining deficiencies, strengthen internal controls, and ensure it has a responsive and effective audit support infrastructure.

Audit Readiness Accomplishments

Since the November 2015 FIAR Report, DHP:

- Developed corrective action plans for the deficiencies identified during the DHP FY 2015 SBA examination.
- Completed and approved a Common Cost Accounting Structure implementation plan.
- Helped DFAS staff to fully support DHP audit readiness and full financial statement audit requirements.
- Continued to improve and expand the DHP enterprise audit infrastructure and optimize the collaborative enterprise audit approach.
- Used the Management Letter and Remediation Plan to confirm and validate audit findings and deficiencies. Began identification of deficiency root causes. Classified deficiencies and root causes as DHP-enterprise level or Component specific and aligned accordingly.
- Developed an initial asset listing; assessable unit scope, process, and transaction definitions; initial DHP-wide audit readiness execution plan, and compiled process documentation for Real

Property, General Equipment, Internal Use Software existence and completeness.

- Developed a financial reporting reconciliation tool designed to compile a complete list of journal vouchers for analysis. DHA also performed journal voucher analysis to derive classification categories with amount and count.
- Developed a single financial system solution in discovery and planning.

DHP CRITICAL CAPABILITIES

DHP is focused on high-risk areas and critical capabilities identified by the Department. The critical capabilities include:

- Universe of Transactions
- Fund Balance with Treasury
- Journal Vouchers
- Existence, Completeness, and Rights and Obligations of Assets
- Valuation of Assets
- Environmental and Disposal Liabilities
- IT Controls

Figure V-5 provides the completion dates for each critical capability. Following Figure V-5 are charts for each critical capability containing the dates for achieving the capability, accomplishments, and challenges. Information on systems material to audit follows the critical capabilities.

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Figure V-5. Defense Health Program Audit Readiness Critical Capabilities (✓ = Completed)

Critical Capability		Implementation/ Remediation Complete	Validation Complete
Universe of Transactions	Schedule of Budgetary Activity	09/2017	12/2017
	Statement of Budgetary Resources	09/2017	12/2017
	Balance Sheet	09/2017	12/2017
Fund Balance with Treasury		09/2017	12/2017
Journal Vouchers		03/2017	06/2017
Existence, Completeness, and Rights and Obligations of Assets/Valuation of Assets	Real Property (including Construction in Progress)	09/2017	12/2017
	General Equipment (including Military Equipment)	03/2017	06/2017
	Internal Use Software	03/2017	06/2017
	Inventory and Related Property	09/2017	12/2017
Environmental Liabilities		09/2017	12/2017
IT Controls		09/2017	12/2017

Defense Health Program – Universe of Transactions Schedule of Budgetary Activity

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	✓

Accomplishments

- Data Collection
 - Produced a Trial Balance that supports general ledger population.
 - Obtained DDRS-B and DDRS-AFS population of transaction details and crosswalks for each quarter.
- Process Design
 - Reconciled each general ledger population of transactions to DDRS-B.
 - Reconciled DDRS-B population of transactions to DDRS-AFS population of transactions.
 - Reconciled DDRS-AFS to the SBA.
- Process documentation created for all reconciliations.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	09/2017

Accomplishments

- Completed a DAI to Statement of Budgetary Resources reconciliation workbook.
- DFAS completed system reconciliations for entitlement systems.
- Completed gap analyses and reconciliations for other feeder systems to entitlement systems.

Challenges

- Training a new team to perform reconciliations identified in the gap analysis.
- Obtaining data for other feeder systems and entitlement systems.

Defense Health Program – Universe of Transactions Statement of Budgetary Resources

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	09/2016

Accomplishments

- Obtained complete data for SMA-Army, SMA-Navy, SMA-Air Force, SMA-NCR, DHA-C, and USUHS.

Challenges

- None

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	09/2017
Interim Milestones	
Reconcile feeder systems for DHA-C and USUHS.	09/2017

Accomplishments

- Reconciled DDRS-B population of transactions to DDRS-AFS population transactions to the Statement of Budgetary resources for SMA-Army, SMA-Air Force, SMA-Navy, SMA-NCR, DHA-C, and USUHS.
- Reconciled DDRS-AFS to the Statement of Budgetary Resources for SMA-Army, SMA-Air Force, SMA-Navy, SMA-NCR, DHA-C, and USUHS.
- Reconciled the general ledger to DDRS-B and DDRS-AFS to the Statement of Budgetary Resources, monthly.

Challenges

- Inability to access all required DDRS reports.
- Quarterly resource backlog in the production of FSCR Tool reconciliation due to access.
- Lack of completion date documentation for DFAS dependent activities.
- Inconsistent internal and external data formats and content creating impediments and inefficiencies.
- Lack of automation to support the volume of financial reporting systems reconciliation and variance remediation.

Defense Health Program – Universe of Transactions Balance Sheet

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	09/2016

Accomplishments

- Obtained complete data for SMA-Army, SMA-Air Force, SMA-Navy, SMA-NCR, DHA-C, and USUHS.

Challenges

- Inconsistent internal and external data formats and content creating impediments and inefficiencies.
- Automation is required to support the volume of key financial reporting systems reconciliation and variance remediation.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	09/2017

Accomplishments

- Completed reconciliation of DDRS-B population of transactions to DDRS-AFS population transactions to the Balance Sheet for SMA-Army, SMA-Air Force, SMA-Navy, SMA-NCR, DHA-C, and USUHS.
- Performed quarterly reconciliations of the DDRS-B to DDRS-AFS and DDRS-AFS to the Balance Sheet.

Challenges

- None

Defense Health Program – Fund Balance with Treasury

Critical Capability	Completion
A) Process and tools to identify, age, and resolve differences between the general ledgers (proprietary and budgetary) and Treasury (at voucher-level).	09/2017
Interim Milestones	
OUSD(C) issues DoD Financial Management Regulation (FMR) update to Volume 4, Chapter 2 to further define Fund Balance with Treasury reconciliation requirements.	✓
DFAS asserts audit readiness for DCAS SSAE No. 16. examination.	✓
DFAS asserts audit readiness for DRRT SSAE No. 16. examination.	09/2016
OUSD(C) and DFAS develop standard process for DCAS daily reconciliations and reporting.	06/2017
DFAS implements DRRT Increment 3+.	09/2017
OUSD(C) and DFAS implement GEX/SLOA Centralized Service, which allows generating and passing standardized data between systems and validating lines of accounting prior to processing transactions.	09/2017

Accomplishments

- OUSD(C) updated the DoD Financial Management Regulations, defining the requirements for performing Fund Balance with Treasury reconciliations.
- DFAS conducted internal discussions to ensure adequate controls over completeness, accuracy, timeliness, and consistency in cross-walking financial data to federally funded limits.
- DFAS identified root causes for variances between the Cash Management Report and Treasury balances. DFAS is partnering

Critical Capability	Completion
B) Process and tools to identify, age, and resolve transactions posted to budget clearing accounts within 60 days (suspense accounts).	09/2016
Interim Milestones	
DFAS develops and implements standardized controls for Suspense Accounts.	✓
DFAS submits Revenue Account white paper to OUSD(C) Program Budget for approval.	06/2016
OUSD(C) Program Budget submits Revenue Account white paper to OMB and Treasury.	07/2016
DFAS implements new Revenue Accounts.	09/2016

Accomplishments

- DFAS identified and resolved TI-97 suspense transactions over 60 days old.
- DFAS discontinued the use of journal vouchers to represent suspense account balances on financial statements.

Challenges

- DFAS is working with Treasury to establish accounts for revenue certain transactions that had formerly been posted to suspense accounts. Any delay in establishing the accounts could delay DHPs ability to resolve this issue.
- Implementation cannot begin until the Treasury, OUSD(C), and DFAS working group has analyzed options and recommend an optimum solution.

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with the OUSD(C) to automate identification of remaining variances to enable timely resolution and increase the accuracy of financial statements.

- DFAS developed and implemented Cash Management Report Audit Workbooks to provide ODO-specific information for amounts presented on the financial statements at a consolidated level.

Challenges

- Fund Balance with Treasury reconciliations for TI-97 are complicated because Treasury issues funding and provides reports at the Treasury Account Symbol (or appropriation) level, which does not provide detail activity information at the reporting entity level.
- DFAS tools for Cash Management Report reconciliation to Treasury are constrained by limitations of sensitive activities.

Defense Health Program – Fund Balance with Treasury

Critical Capability	Completion
C) Process and tools to identify, age, and resolve transactions reported on Treasury's statements of differences within 30 days.	05/2017
Interim Milestones	
DFAS implements standard processes for Deposits in Transits Statement of Differences.	07/2016
DFAS implements standard processes for Check Issue Statement of Differences.	12/2016
DFAS implements standard processes for IPAC Statement of Differences.	03/2017
DFAS validates controls for standard processes.	05/2017

Accomplishments

- DFAS identified the team members and began the analysis of the difference experienced across the sites.

Challenges

- Developing an effective means to address the majority of the Statement of Differences related to process timing issues is proving to be difficult.

Critical Capability	Completion
D) Perform aging analysis and apply reconciliations backwards to any years possible.	06/2017
Interim Milestones	
DCFO issues DoD Financial Management Regulation (FMR) Volume 4, Chapter 2, Annex to provide guidance on establishing an auditable beginning balance.	✓
DFAS completes aging analysis.	09/2016
DFAS assesses ability to perform monthly reconciliations and support balances.	04/2017
DFAS performs monthly reconciliations and test supporting documentation for prior years.	06/2017

Accomplishments

- OUSD(C) updated the DoD Financial Management Regulation providing guidance on establishing an auditable beginning balance.

Challenges

- Lack of supporting documentation needed for beginning balances.

Defense Health Program – Journal Vouchers

Critical Capability	Completion
Elimination Entries – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements related to intra-component and intra-departmental elimination entries.	03/2017
Interim Milestones	
Submit FY 2017 and FY 2018 estimated costs for systems requirements.	04/2016
Build GT&Cs in IPP, participate in IPP training, build IGT orders with applicable trading partner data elements.	06/2016
Execute 75% of Reimbursable Authority in IPP (GTC only); submit trading partner data on 25% of federal accounts payables records.	09/2016
Submit trading partner data on 50% of federal Accounts Payable records.	12/2016
Execute 100% of Reimbursable Authority in IPP (GT&C only); submit trading partner data on 100% of federal accounts payable records.	03/2017

Accomplishments

- Published the DoD Intragovernmental Data Standard (IGDS).
- Drafted new DoD Instruction to define target process for eliminations.

Challenges 4

- Awaiting Treasury approval of submitted data standards, subsequent update of the Treasury Financial Manual, and system changes to IPP to align to the target process and data standard.

Critical Capability	Completion
All Other Journal Vouchers – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements for all other journal vouchers.	03/2017
Interim Milestones	
DCFO/DFAS perform root cause analysis on DDRS journal vouchers.	06/2016
DCFO/DFAS develop corrective actions for DDRS journal vouchers.	06/2016
Tier 3 and Tier 4 Entities, OUSD(C), system owners, DFAS Implement corrective actions for DDRS journal vouchers.	03/2017

Accomplishments

- DFAS developed and delivered journal voucher training to over 2,300 individuals on communicating concepts, proper steps, and documentation to prepare supportable and auditable journal vouchers.
- DFAS developed and implemented a journal voucher catalog and checklist to identify and standardize supporting documentation. The interactive form identifies required supporting documents by journal voucher type. The form was deployed at each DFAS site in 01/2016.
- DFAS improved processes for journal voucher review and approval by the reporting entities. The processes are documented through MOUs signed with each reporting entity in 2015 and early 2016.
- DFAS established a working group responsible for identifying root causes and developing improvement plans for journal vouchers produced in financial reporting systems. The group is analyzing

key attributes vital to the development of improvement plans aimed at reducing the number of journal vouchers.

Challenges

- DFAS and OUSD(C) cannot readily implement corrective actions due to coordination with system owners to ensure required SCRs are developed and implemented to remediate failed tie points and other system limitation issues.
- DFAS and reporting entities must coordinate with other stakeholders to receive financial information in a timely manner and record financial data and accounting transactions in accounting systems.
- Reporting entities are reliant on legacy accounting and feeder systems that are difficult to replace or phase out because of wide use. It will be prohibitively expensive and time consuming to convert from legacy systems to ERPs and non-legacy feeder systems by 09/2017.

Defense Health Program – Existence and Completeness/Valuation of Assets Real Property, Including Construction in Progress

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2017
Interim Milestones	
Planning and status assessment.	✓
Data assessment and remediation.	06/2016
Data reconciliations.	09/2016
Implement existence and completeness controls and supporting documentation.	12/2017
Validate historical cost, recalculate accumulated depreciation/amortization, adjust APSRs, and adjust financial statements.	09/2017

Accomplishments

- Developed DHP audit readiness plan.
- Accomplished planning and assessment of real property.
- Assessed population of Service Medical Activities (SMAs) real property assets.

Challenges

- Identifying operating and capital leases.
- Establishing processes to reconcile real property general ledger transactions to accountable property systems of record.
- Military Department support required for existence and completeness testing and valuation of medical real property assets.

Critical Capability	Completion
B) Establish an auditable valuation baseline.	09/2017
Interim Milestones	
Validate historical costs.	12/2017
Recalculate accumulated depreciation.	12/2017
Adjust APSR and financial statements.	09/2017
Critical Capability	
C) Establish an auditable valuation process for go-forward activity.	09/2017
Interim Milestones	
Access valuation as-is controls and supporting.	09/2016
Implement valuation to-be controls and supporting documentation corrective actions.	09/2017

Accomplishments

- Obtained sustainment funding to identify accountable property system of record completeness.

Challenges

- Personnel resource constraints and government hiring freeze inhibiting ability to execute audit readiness plan.
- Dependency on external organizations, service providers, and Military Departments to implement plans.
- DHP enterprise complexity and lack of command and control.
- Complexity of execution (e.g., multiple property systems organizations and data owners).

Defense Health Program – Existence and Completeness/Valuation of Assets General Equipment

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2016
Interim Milestones	
Identify equipment population/design test plan	✓
Testing completed	06/2016

Accomplishments

- Established medical equipment baseline.
- Examined the population of equipment to determine proper costing designation.
- Established existence and completeness testing timeline.

Challenges

- Large population of assets.

Critical Capability	Completion
A) Establish an auditable valuation baseline.	03/2017
Interim Milestones	
Validate historical costs.	12/2017
Recalculate accumulated depreciation.	12/2017
Adjust APSR and financial statements.	03/2017
Critical Capability	Completion
B) Establish an auditable valuation process for go-forward activity.	03/2017
Interim Milestones	
Access valuation as-is controls and supporting documentation.	09/2016
Implement valuation to-be controls and supporting documentation corrective actions.	03/2017

Accomplishments

- None

Challenges

- None

Defense Health Program – Existence and Completeness/Valuation of Assets Internal Use Software

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	06/2016
Interim Milestones	
Complete Internal Use Software inventory.	06/2016

Accomplishments

- Gathered as-is process documentation.
- Documented process for recording Internal Use Software development costs.

Challenges

- Lack of supporting documentation.
- Need to design new process and procedures.

Critical Capability	Completion
A) Establish an auditable valuation baseline.	03/2017
Interim Milestones	
Determine access to historical cost.	03/2017
Adjust the APSR.	03/2017
Adjust financial statements.	03/2017
Critical Capability	Completion
B) Establish an auditable valuation process for go-forward activity.	03/2017
Interim Milestones	
Access valuation as-is controls and supporting documentation.	09/2016
Implement valuation to-be controls and supporting documentation corrective actions.	03/2017

Accomplishments

- None

Challenges

- None

Defense Health Program – Existence and Completeness/Valuation of Assets Inventory and Related Property

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2016

Accomplishments

- None

Challenges

- Gathering as-is policies and procedures to allow evaluation of internal controls.
- Ensuring asset information across the Military Departments is uniform to support standard baseline evaluation.

Critical Capability	Completion
A) Establish an auditable valuation baseline.	06/2016
Critical Capability	Completion
B) Establish an auditable valuation process for go-forward activity.	09/2017

Accomplishments

- None

Challenges

- Gathering asset data is difficult because of multiple accountable property systems of record.
- Relying on the support of the Military Departments.

Defense Health Program – Environmental Liabilities

Critical Capability	Completion
Establish an auditable process for estimating (identifying and valuing) and recording environmental and disposal liabilities.	09/2017
Interim Milestones	
Identified real property assets.	06/2017
Assessed inventory of real property assets to determine which might have current Environmental and Disposal Liabilities.	09/2017
Evaluated which medical property assets might potential have long term environmental and Disposal Liabilities.	09/2017

Accomplishments

- Tiger team established to support assessment of Environmental and Disposal Liabilities.
- Identified potential medical facilities that potentially have Environmental and Disposal Liabilities.
- Utilized systematic approach to estimate which assets might develop Environmental and Disposal Liabilities.

Challenges

- Difficult to predict which medical assets might develop Environmental and Disposal Liabilities.
- Requires on-the-ground assessment of assets.

Defense Health Program – Information Technology

Critical Capability	Completion
Implement critical information technology general and application controls for material, financially-relevant systems.	09/2017
Interim Milestones	
SSAE No. 16 examination System CUECs: Complete documentation of control design.	✓
SSAE No. 16 examination System CUECs: Complete testing of control operating effectiveness.	06/2016
SSAE No. 16 examination System CUECs: Corrective actions Implemented.	09/2016

Accomplishments

- None

Challenges

- Requirement to concurrently support audit readiness and financial management operations exceeds the capacity of available resources/government and contractor.
- Require clarification of roles and responsibilities.
- Difficulty coordinating with external organizations.

Critical Capability	Completion
Implement critical information technology general and application controls for material, financially-relevant systems.	09/2017
Interim Milestones	
Self-Review CUECs: Complete documentation of control design and complete test of control design effectiveness.	12/2017
Self-Review CUECs: Complete testing of control operating effectiveness and corrective actions developed.	03/2017
Self-Review CUECs: Corrective actions implemented.	06/2017

Accomplishments

- None

Challenges

- None

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Figure V-6. Systems Material to DHP Audit Readiness (✓ = Completed)

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		DHA	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Statement of Budgetary Resources – DHA Systems									
ABACUS	Medical Receivables (replaces TPOCS in 10/2014)	DHP	GDIT	03/2017	09/2017	03/2017	09/2017	03/2017	09/2017
CCE	Medical Receivables	DHP	DHP	✓	✓	✓	09/2017	04/2017	07/2017
CHCS	Medical Receivables	DHP	USAF	✓	✓	✓	✓	04/2017	07/2017
Cost Distribution Software	Disbursing	USUHS	USUHS	01/2017	04/2017	01/2017	04/2017	01/2017	04/2017
Cloud-Based Credit Card Accounting and Control Software	Disbursing	USUHS	USUHS	01/2017	04/2017	01/2017	04/2017	01/2017	04/2017
DEAMS	All Assessable Units	Air Force	Air Force	✓	✓	✓	✓	✓	✓
DMLSS-R		DHP	DHP	✓	✓	✓	✓	01/2017	07/2017
SPS/PD2	Contractual Services & Acquisition of Assets	CECOM-Army	CECOM-Army	✓	09/2016	✓	09/2016	01/2017	04/2017
SPS/PD2	Contractual Services & Acquisition of Assets	DHP	DHP	✓	✓	✓	✓	04/2017	07/2017
Mission-Critical Assets Existence and Completeness – DHA Systems									
DMLSS	Consumables; Property	DHP	DHP	✓	✓	✓	✓	01/2017	07/2017
Balance Sheet – DHA Systems									
ABACUS	Medical Receivables (replaces TPOCS in 10/2014)	DHP	GDIT	03/2017	09/2017	03/2017	09/2017	03/2017	09/2017
CCE	Medical Receivables	DHP	DHP	✓	✓	✓	✓	04/2017	07/2017
SPS/PD2	Contractual Services & Acquisition of Assets	DHP	DHP	✓	✓	✓	✓	04/2017	07/2017

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		DHA	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Statement of Budgetary Resources – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Civilian Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
	Disbursing; Balance Sheet	DCMA	DISA	✓	✓	✓	✓	06/2016	09/2016
ADS IPAC Wizard	Reimbursable Work Orders (Acceptor/Grantor); Fund Balance with Treasury; Disbursing; Financial Reporting; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	06/2016	09/2016
ATAAPS	Civilian Pay	DISA	DISA	✓	✓	✓	✓	06/2016	09/2016
BAM ERMP	Contract & Vendor Pay Improper Payments for: One Pay; CAPSW; IAPS; EBS & MOCAS; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	06/2016	09/2016
DAAS	Consumables	DLA	DLA	✓	✓	✓	✓	12/2016	03/2017
DAI	Civilian Pay; Contractual Services & Acquisition of Assets; Reimbursable Work Orders (Acceptor/Grantor); Transportation of People; Fund Balance with Treasury; Financial Reporting	DLA	DISA	✓	✓	✓	✓	06/2016	09/2016
DCPDS	Civilian Pay	DCPAS	Commercial Vendor	✓	✓	✓	✓	06/2016	09/2016
DCPS	Civilian Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
DDRS-AFS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
DDRS-B	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
DDRS-DCM	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
DTS	Hire to Retire	DMDC	Commercial Vendor	✓	✓	✓	✓	06/2016	09/2016
EAS	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
EUD (AVPM/PPVM)	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
iRAPT	O2C/P2P	DLA	DISA	✓	✓	✓	✓	06/2016	09/2016

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		DHA	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
MOCAS	Contractual Services and Acquisition of Assets; Balance Sheet	DCMA	DISA	✓	✓	✓	✓	06/2016	09/2016
		DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
SCRT	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
Statement of Budgetary Resources – Service Provider Systems (Non-SSAE No. 16 Examinations)									
ABSS	Vendor Pay; Large Contracts; Reimbursement Budget Authority and Execution	Air Force	Air Force	✓	✓	✓	✓	✓	✓
ConWrite	Contracts (Major)	Air Force	Air Force	✓	✓	✓	✓	✓	✓
CAPS-W	Accounts Payable; Vendor Pay	DFAS	DFAS	✓	✓	✓	✓	06/2016	09/2016
CDS: ADS-3801	Net Outlays; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	12/2016	03/2017
CRIS	Major Defense Acquisition Program	Air Force	DISA	✓	✓	✓	✓	✓	✓
DCAS	Contractual Services & Acquisition of Assets; Civilian Pay; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
DCD/DCW	Management Decision Support; Multiple Assessable Units to include Balance Sheet	DFAS	DISA	09/2017	09/2017	✓	✓	06/2017	09/2017
DMLSS-R	APSR	DHP	DHP	✓	✓	✓	✓	01/2017	07/2017
DRRT	Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	03/2018	09/2018
EDA	P2P	DLA	DISA	✓	✓	✓	✓	01/2017	04/2017
EDM	Vendor Pay; Contract Pay	DLA	DISA	01/2017	04/2017	✓	✓	04/2017	07/2017
FASTDATA	Contractual Services & Acquisition of Assets	Navy	Navy	✓	✓	✓	✓	✓	09/2016
GAFS-DTS	Transportation of People; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
GFEBs	Contractual Services & Acquisition of Assets	Army	Army	✓	✓	✓	✓	06/2017	09/2017
HQARS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2018	09/2018
IATS	Contractual Services & Acquisition of Assets; Transportation of People; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	03/2018	09/2018

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		DHA	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
ODS	(ALL) Contractual Services & Acquisition of Assets; Civilian Pay; Financial Reporting; Fund Balance with Treasury; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2018	09/2018
OnePay	Military Standard Requisition Issue Procedure; Permanent Change of Station; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2016	09/2016
PBAS-FD	Funds Receipt and Distribution Management; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2018	09/2018
SLDCADA	Civilian Pay	Navy	Navy	✓	06/2016	✓	✓	03/2017	09/2017
SOMARDS	Financial Reporting/ Multiple; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
STANFINS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
STARS-FL	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Funds Receipt and Disbursement; Financial Statement Compilation and Reporting; Military Standard Requisition Issue Procedure; Military Pay; Permanent Change of Station; Reimbursable Work Orders; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	09/2016
Mission Critical Assets Existence and Completeness – Service Provider Systems (Non-SSAE No. 16 Examinations)									
LMP	Operating Materials and Supplies – Munitions	Army	Army	✓	✓	✓	✓	06/2017	09/2017
Balance Sheet – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Civilian Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
	Disbursing; Balance Sheet	DCMA	DISA	✓	✓	✓	✓	06/2016	09/2016
ADS IPAC Wizard	Reimbursable Work Orders (Acceptor/Grantor); Fund Balance with Treasury; Disbursing; Financial Reporting; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	06/2016	09/2016

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		DHA	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
BAM ERMP	Contract & Vendor Pay Improper Payments for: One Pay; CAPSW; IAPS; EBS & MOCAS; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	03/2017	03/2017
DAI	Civilian Pay; Contractual Services & Acquisition of Assets; Reimbursable Work Orders (Acceptor/Grantor); Transportation of People; Fund Balance with Treasury; Financial Reporting	DLA	DISA	✓	✓	✓	✓	✓	✓
DCPS	Civilian Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
DPCDS	Civilian Pay	DPCAS	Commercial Vendor	✓	✓	✓	✓	06/2016	09/2016
DDRS-AFS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
DDRS-B	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
DDRS-DCM	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
DRRT	Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	06/2016	09/2016
EAS	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
EUD (AVPM/PPVM)	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
MOCAS (includes DFAS MOCAS and DCMA eTools)	Contractual Services and Acquisition of Assets; Balance Sheet	DCMA	DISA	✓	✓	✓	✓	06/2016	9/2016
		DFAS	DISA	✓	✓	✓	✓	06/2016	9/2016
SCRT	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
Balance Sheet – Service Provider Systems (Non-SSAE No. 16 Examinations)									
CDS: ADS-3801 includes DTS payments	Net Outlays; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	12/2016	03/2017
CHCS	Medical Receivables	DHP	Air Force	✓	✓	✓	✓	✓	✓

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		DHA	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
DCAS	Contractual Services & Acquisition of Assets; Civilian Pay; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	09/2016
DCD/DCW	Management Decision Support; Multiple Assessable Units to include Balance Sheet	DFAS	DISA	01/2017	04/2017	✓	✓	01/2017	04/2017
DRRT	Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	03/2018	09/2018
GAFS-DTS	Transportation of People; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	N/A	N/A
GFEBs	Contractual Services & Acquisition of Assets	Army	Army	✓	✓	✓	✓	06/2017	09/2017
HQARS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2018	09/2018
IATS	Contractual Services & Acquisition of Assets; Transportation of People; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	03/2018	09/2018
ODS	(ALL) Contractual Services & Acquisition of Assets; Civilian Pay; Financial Reporting; Fund Balance with Treasury; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2018	09/2018
One Pay	Military Standard Requisition Issue Procedure; Permanent Change of Station; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	09/2016
PBAS-FD	Funds Receipt and Distribution Management; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
SOMARDS	Financial Reporting / Multiple; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
STANFINS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
STARS-FL	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Funds Receipt and Disbursement; Financial Statement Compilation and Reporting; Military Standard Requisition Issue Procedure; Military Pay; Permanent Change of Station; Reimbursable Work Orders; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	09/2016

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		DHA	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Balance Sheet – Other System Owners									
ABSS	Real Property	Air Force	Air Force	N/A	N/A	✓	✓	✓	✓
ConWrite	Contracts (Major)	Air Force	Air Force	N/A	N/A	✓	✓	✓	✓
CRIS	Major Defense Acquisition Program	Air Force	DISA	✓	✓	✓	✓	✓	✓
FASTDATA	Contractual Services & Acquisition of Assets	Navy	Navy	✓	✓	✓	✓	✓	09/2016
Navy ERP	Fund Balance with Treasury	Navy	Navy	✓	12/2017	✓	✓	06/2017	09/2017
VISTA	Reimbursable Work Orders; Financial Reporting	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017

U.S. SPECIAL OPERATIONS COMMAND

USSOCOM is the unified command for the worldwide use of Special Operations elements of the Army, Navy, Air Force, and Marine Corps. Each Service has a Special Operations Command (SOC) that is unique and capable of performing its own operations, but when the different special operations forces need to work together for an operation, USSOCOM becomes the joint component command of the operation, instead of a SOC of a specific branch.

USSOCOM is preparing for an IPA audit of its FY 2018 financial statements and is aggressively working to remediate deficiencies, strengthen internal controls, and implement a responsive and effective audit support infrastructure.

Audit Readiness Accomplishments

Since the November 2015 report, USSOCOM achieved the following audit readiness accomplishments:

- Automated universe of transactions reconciliations from general ledger systems through trial balances and to the financial statements.
- Continued to expand the audit response infrastructure by deploying a corrective action plan tracker, developing preferred packages, developing supporting documentation matrices, and establishing Standard Operating Procedures for audit response. Results showed improved transparency, accountability, and

efficiency in the compilation of supporting documentation and corrective action packages. Additional enhancements are being developed to include lessons learned and metrics reporting.

- Collaborated with DFAS to establish a journal voucher review MOU that identifies a review threshold and timeline, required supporting documentation, and issue tracking guidelines.

USSOCOM CRITICAL CAPABILITIES

USSOCOM is focused on high-risk areas and critical capabilities identified by the Department. The critical capabilities include:

- Universe of Transactions
- Fund Balance with Treasury
- Journal Vouchers
- Existence, Completeness, and Rights and Obligations of Assets
- Valuation of Assets
- IT Controls

Figure V-7 provides the completion dates for each critical capability. Following Figure V-7 are charts for each critical capability containing the dates for achieving the capability, accomplishments, and challenges.

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Figure V-7. USSOCOM Audit Readiness Critical Capabilities (✓ = Completed)

Critical Capability		Implementation/ Remediation Complete	Validation Complete
Universe of Transactions	Schedule of Budgetary Activity	09/2017	12/2017
	Statement of Budgetary Resources	09/2017	12/2017
	Balance Sheet	09/2017	12/2017
Fund Balance with Treasury		09/2017	12/2017
Journal Vouchers		03/2017	06/2017
Existence, Completeness, and Rights and Obligations of Assets/Valuation of Assets	Real Property (including Construction in Progress)	08/2017	12/2017
	General Equipment (including Military Equipment)	07/2017	12/2017
	Internal Use Software	N/A*	N/A*
	Inventory and Related Property	08/2017	12/2017
IT Controls		N/A*	N/A*

* USSOCOM does not own Internal Use Software or financial systems, including general ledger/accounting and feeder systems.

U.S. Special Operations Command – Universe of Transactions Schedule of Budgetary Activity

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	09/2017
Interim Milestones	
Obtain transaction details that fully reconcile to month-end DDRS general ledger submission and source feeder files by detailed schedule dates below.	08/2016
Reconcile to individual financial statement line items.	11/2016
Basic functionality of the system developed with a limited population of feeder and accounting system data.	12/2016
Full functionality of the system developed with a full population of feeder and accounting system data.	06/2017

Accomplishments

- Championing a pilot effort using an alternate technical solution to develop the universe of transactions. Approved technical and functional requirements.
- Reconciled accounting system data to the SBA.
- Automated detailed transactions to trial balance reconciliations for five accounting systems (GFEBS, GCSS-Army, CEFMS, STARS-FL, and GAFS-R).

Challenges

- Dependencies on Military Service processes and systems limit implementation of corrective actions.
- Various Military Service accounting systems are unable to report

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	09/2017
Interim Milestones	
Acquire required interface files (DFAS/DCFO TT).	✓
Design reconciliations for all remaining financial statement line items (DFAS/DCFO TT).	11/2016
Basic functionality of the system developed with a limited population of feeder and accounting system data.	12/2016
Full functionality of the system developed with a full population of feeder and accounting system data.	06/2017

Accomplishments

- Defined new approach for feeder system transaction reconciliation.
- Acquired additional contractors to support OUSD(C) and DFAS tiger team.

Challenges

- Nonstandard systems.
- Lack of defined business rules.
- Dependencies on Military Service processes and systems and complexity of funding and execution structure limit implementation of corrective actions plans.

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historical data, including some beginning balance data.

- Unassigned data within DDRS-B does not map to accounting systems.
- Complexity of funding and execution structure of sensitive activities' transactions cannot be readily validated.

U.S. Special Operations Command – Universe of Transactions Statement of Budgetary Resources

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	09/2017
Interim Milestones	
Obtain transaction details that fully reconcile to month-end DDRS general ledger submission and source feeder files by detailed schedule dates below.	08/2016
Reconcile to individual financial statement line items.	11/2016

Accomplishments

- Reconciled accounting system data to the SBA.
- Automated detailed transactions to trial balance reconciliations for five accounting systems (GFEBBS, GCSS-Army, CEFMS, STARS-FL, and GAFS-R).
- Received approval to proceed with alternate technical solution.
- Technical and functional requirements approved.

Challenges

- Dependencies on Military Service processes and systems limit implementation of corrective actions.
- Various Military Service accounting systems are unable to report historical data, including some beginning balance data.
- Unassigned data within DDRS-B does not map to accounting systems.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	09/2017
Interim Milestones	
Acquire required interface files (DFAS/DCFO TT).	✓
Design reconciliations for all remaining financial statement line items (DFAS/DCFO TT).	11/2016
Basic functionality of the system developed with a limited population of feeder and accounting system data.	09/2016
Full functionality of the system developed with a full population of feeder and accounting system data.	06/2017

Accomplishments

- Defined new approach for feeder system transaction reconciliation.
- Acquired additional contractors to support OUSD(C) and DFAS tiger team.

Challenges

- Nonstandard systems.
- Lack of defined business rules.
- Increased scope of systems and complexity for Statement of Budgetary Resources.
- Dependencies on Military Service processes and systems and complexity of funding and execution structure limit implementation of corrective actions.

U.S. Special Operations Command – Universe of Transactions Balance Sheet

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	11/2016
Interim Milestones	
Obtain transaction details that fully reconcile to month-end DDRS general ledger submission and source feeder files by detailed schedule dates below.	08/2016
Reconcile to individual financial statement line items.	11/2016

Accomplishments

- Received approval to proceed with alternate technical solution.
- Technical and functional requirements approved.
- Automated detailed transactions to trial balance reconciliations for five of our accounting systems (GFEBS, GCSS-Army, CEFMS, STARS-FL, and GAFS-R).

Challenges

- Dependencies on Military Service processes and systems limit implementation of potential corrective action plans.
- Various Military Service accounting systems are unable to report historical data, including some beginning balance data.
- Unassigned data within DDRS-B does not map to accounting systems.
- Nonstandard data and systems.
- Lack of sensitive activity guidance.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	11/2016
Interim Milestones	
Acquire required interface files (DFAS/DCFO TT).	✓
Design reconciliations for all remaining financial statement line items (DFAS/DCFO TT).	11/2016

Accomplishments

- Defined new approach for feeder system transaction reconciliation.
- Acquired additional contractors to support OUSD(C) and DFAS tiger team efforts in this area.

Challenges

- Dependencies on Military Service processes and systems and complexity of funding and execution structure limit implementation of potential corrective action plans.
- Nonstandard data and systems.
- Lack of sensitive activity guidance.

U.S. Special Operations Command – Fund Balance with Treasury

Critical Capability	Completion
A) Process and tools to identify, age, and resolve differences between the general ledgers (proprietary and budgetary) and Treasury (at voucher-level).	09/2017
Interim Milestones	
DCFO issues DoD FMR update to Volume 4, Chapter 2 to further define Fund Balance with Treasury reconciliation requirements.	✓
DFAS asserts audit readiness for DCAS SSAE No. 16. examination.	✓
DFAS asserts audit readiness for DRRT SSAE No. 16. examination.	09/2016
OUSD(C) and DFAS develop standard process for DCAS daily reconciliations and reporting.	06/2017
DFAS implements DRRT Increment 3+.	09/2017
OUSD(C) and DFAS implement GEX/SLOA Centralized Service, which allows generating and passing standardized data between systems and validating lines of accounting prior to processing transactions.	09/2017

Accomplishments

- OUSD(C) updated the DoD Financial Management Regulations, defining the requirements for performing Fund Balance with Treasury reconciliations.
- DFAS conducted internal discussions to ensure adequate controls over completeness, accuracy, timeliness, and consistency in cross-walking financial data to federally funded limits.
- DFAS identified root causes for variances between the Cash Management Report and Treasury balances. DFAS is partnering

Critical Capability	Completion
B) Process and tools to identify, age, and resolve transactions posted to budget clearing accounts within 60 days ("suspense" accounts).	09/2016
Interim Milestones	
DFAS develops and implements standardized controls for Suspense Accounts.	✓
DFAS submits Revenue Account white paper to OUSD(C) Program Budget for approval.	06/2016
OUSD(C) Program Budget submits Revenue Account white paper to OMB and Treasury.	07/2016
DFAS implements new Revenue Accounts.	09/2016

Accomplishments

- DFAS identified and resolved TI-97 suspense transactions over 60 days old.
- DFAS discontinued the use of journal vouchers to represent suspense account balances on financial statements.

Challenges

- DFAS is working with Treasury to establish accounts for revenue certain transactions that had formerly been posted to suspense accounts. Delay in establishing the accounts will delay full resolution of audit findings.
- Treasury, OUSD(C), and DFAS working group established to analyze options and recommend an optimum solution, and until schedule is developed implementation cannot begin.

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with the OUSD(C) to automate identification of remaining variances to enable timely resolution and increase the accuracy of financial statements.

- DFAS developed and implemented Cash Management Report Audit Workbooks to provide ODO-specific information for amounts presented on the financial statements at a consolidated level.

Challenges

- Fund Balance with Treasury reconciliations for TI-97 are complicated because the Treasury Department issues funding and provides reports at the Treasury Account Symbol (or appropriation) level, which does not provide detail activity information at the reporting entity level.
- DFAS tools for Cash Management Report reconciliation to Treasury are constrained by limitations of sensitive activities.

U.S. Special Operations Command – Fund Balance with Treasury

Critical Capability	Completion
C) Process and tools to identify, age, and resolve transactions reported on Treasury's statements of differences within 30 days.	05/2017
Interim Milestones	
DFAS implements standard processes for Deposits in Transits Statement of Differences.	07/2016
DFAS implements standard processes for Check Issue Statement of Differences.	12/2016
DFAS implements standard processes for IPAC Statement of Differences.	03/2017
DFAS validates controls for standard processes.	05/2017

Accomplishments

- DFAS identified the team members and began the analysis of the difference experienced across the sites.

Challenges

- Developing an effective means to address the majority of the Statement of Differences related to process timing issues is proving to be difficult.

Critical Capability	Completion
D) Perform aging analysis and apply reconciliations backwards to any years possible.	06/2017
Interim Milestones	
DCFO issues DoD Financial Management Regulation, Volume 4, Chapter 2, Annex to provide guidance on establishing an auditable beginning balance.	✓
DFAS completes aging analysis.	09/2016
DFAS assesses ability to perform monthly reconciliations and support balances.	04/2017
DFAS performs monthly reconciliations and test supporting documentation for prior years.	06/2017

Accomplishments

- OUSDC(C) updated the DoD Financial Management Regulations, providing guidance on establishing an auditable beginning balance.

Challenges

- Lack of supporting documentation needed for aged balances.

U.S. Special Operations Command – Journal Vouchers

Critical Capability	Completion
Elimination Entries – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements related to intra-component and intra-departmental elimination entries.	03/2017
Interim Milestones	
Submit FY 2017 and FY 2018 estimated costs for systems requirements.	✓
Build GT&Cs in IPP, participate in IPP training, build IGT orders with applicable trading partner data elements.	06/2016
Execute 75% of Reimbursable Authority in IPP (GTC only); submit trading partner data on 25% of federal accounts payables records.	09/2016
Submit trading partner data on 50% of federal Accounts Payable records.	12/2016
Execute 100% of Reimbursable Authority in IPP (GT&C only); submit trading partner data on 100% of federal accounts payable records.	03/2017

Accomplishments

- Published the DoD Intragovernmental Data Standard.
- Drafted a new DoD Instruction to define target process for eliminations.

Challenges

- Awaiting Treasury approval of submitted data standards, subsequent update of the Treasury Financial Manual, and system changes to IPP to align to the target process and data standard.

Critical Capability	Completion
All Other Journal Vouchers – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements for all other journal vouchers.	03/2017
Interim Milestones	
DCFO/DFAS perform root cause analysis on DDRS journal vouchers.	06/2016
DCFO/DFAS develop corrective actions for DDRS journal vouchers.	06/2016
Tier 3 and Tier 4 Entities, OUSD(C), system owners, DFAS Implement corrective actions for DDRS journal vouchers.	03/2017

Accomplishments

- DFAS delivered journal voucher training to over 2,300 individuals on communicating concepts, proper steps, and documentation to prepare supportable and auditable journal vouchers.
- DFAS developed and implemented a journal voucher catalog and checklist to identify and standardize supporting documentation. The interactive form identifies required supporting documents by journal voucher type. The form was deployed at each DFAS site.
- DFAS improved processes for journal voucher review and approval by the reporting entities. The processes are documented through MOUs signed with each reporting entity.
- DFAS established a working group responsible for identifying root causes and developing improvement plans for journal vouchers produced in financial reporting systems. The group is analyzing key attributes vital to the development of improvement plans aimed at reducing the number of journal vouchers.

Challenges

- DFAS and OUSD(C) cannot readily implement corrective actions due coordination with system owners to ensure required SCRs are developed and implemented to remediate failed tie points and other system limitation issues.
- DFAS and reporting entities must coordinate with other DoD stakeholders to receive financial information in a timely manner and record financial data and accounting transactions in accounting systems.
- DFAS and reporting entities must fully implement and execute solutions to support both manual and system generated journal vouchers.
- Reporting entities are reliant on legacy accounting and feeder systems that are difficult to replace or phase out because of wide use. It will be prohibitively expensive and time consuming to convert from legacy systems to ERPs and non-legacy feeder systems by 09/2017.

U.S. Special Operations Command – Existence and Completeness/Valuation of Assets Real Property, Including Construction-in-Progress

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	02/2017
Interim Milestones	
Perform book-to-floor and floor-to-book assessment to validate existence and completeness baseline, including occupancy percentages.	11/2016
Perform materiality analysis	✓
B) Establish an auditable process for go-forward activity related to existence and completeness for Construction in Progress.	02/2017
Interim Milestones	
Test real property, including Construction in Progress, acquisition, management, and disposition business processes to validate that internal controls are in place and effective; and supporting documentation is available to support go-forward activities.	11/2016

Accomplishments

- Obtained complete listing of Construction in Progress.

Challenges

- Difficulties in reconciling real property unique item identifiers (RPUID) to Construction in Progress transactions, because financial data does not contain item codes or RPUIDs.
- No reconciliation occurs between construction agent reporting to DFAS and USSOCOM military construction financial amounts.

Critical Capability	Completion
A) Establish an auditable valuation baseline.	08/2017
Interim Milestones	
Identify capital asset population.	06/2016
Based on existence and completeness results, identify most time and cost effective GAAP-compliant valuation methodology available for imputed cost.	10/2016
B) Establish an auditable valuation process for go-forward activity.	08/2017
Interim Milestones	
Validate the completeness and accuracy of Construction in Progress valuation and imputed costs.	11/2016
Define sustained process for full cost for real property, including Construction in Progress and imputed costs.	11/2016

Accomplishments

- USSOCOM real property assets on Marine Corps installations have been successfully identified for removal from USSOCOM financial statements in accordance with financial reporting policy.

Challenges

- Ensuring that the Construction in Progress values reconcile to the Military Services' recorded acquisition costs.

U.S. Special Operations Command – Existence and Completeness/Valuation of Assets General Equipment, Including Military Equipment

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	02/2017
Interim Milestones	
Obtain an asset listing of assets and as-is environment documentation.	06/2016
Perform assessment to validate existence and completeness baseline.	11/2016
Critical Capability	Completion
B) Establish an auditable process for go-forward activity related to valuation for General Equipment, including Military Equipment including Construction in Progress.	02/2017
Interim Milestones	
Validate the completeness and accuracy of General Equipment processes.	08/2016
Test the General Equipment processes.	11/2016

Accomplishments

- Completed existence and completeness review of Military Services’ capital assets, excluding government furnished property and sensitive activities. Began corrective actions for remaining existence and completeness capital assets weaknesses.

Challenges

- Dependencies on Military Service processes and systems limit potential corrective actions, particularly those weaknesses in accountable property systems of record.
- Previous document retention policies did not support auditability.

Critical Capability	Completion
A) Establish an auditable valuation baseline.	07/2017
Interim Milestones	
Identify capital asset population	10/2016
Determine valuation methodology and value assets	05/2017
Reconcile APSR and financial statements	06/2017
Critical Capability	Completion
B) Establish an auditable valuation process for go-forward activity.	07/2017
Interim Milestones	
Define sustained process for full cost for GE	12/2016

Accomplishments

- None

Challenges

- Dependencies on Military Service processes and systems limit corrective actions, particularly those weaknesses in accountable property systems of record.

U.S. Special Operations Command – Existence and Completeness/Valuation of Assets Internal Use Software

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	N/A

Accomplishments

- Preliminary discovery work indicates USSOCOM does not possess any internal use software. Internal Use Software used by USSOCOM is owned by the Military Services.

Challenges

- None

Critical Capability	Completion
A) Establish an auditable valuation baseline.	N/A

Accomplishments

- Preliminary discovery work indicates USSOCOM does not possess any internal use software. Internal Use Software used by USSOCOM is owned by the Military Services.

Challenges

- None

U.S. Special Operations Command – Existence and Completeness/Valuation of Assets Inventory and Related Property

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	02/2017
Interim Milestones	
Obtain an asset listing and as-is environment documentation.	✓
Complete corrective actions to remediate data reconciliation and deficiencies.	02/2017
B) Establish an auditable process for go-forward activity.	02/2017
Interim Milestones	
Validate the completeness and accuracy of OM&S processes.	08/2016
Validate that internal controls are in place and effective and supporting documentation is available.	11/2016
Develop and implement corrective actions to remediate process, internal control, systems, and supporting documentation deficiencies.	02/2017

Accomplishments

- Began existence and completeness work.

Challenges

- Dependencies on Military Service processes and systems and complexity of funding and execution limit implementation of corrective actions.

Critical Capability	Completion
A) Establish an auditable valuation baseline.	08/2017
Interim Milestones	
Identify OM&S population.	06/2016
Determine valuation methodology and value assets.	06/2017
Reconcile APSR and financial statements.	07/2017
B) Establish an auditable valuation process for go-forward activity.	08/2017
Interim Milestones	
Validate the completeness and accuracy of OM&S valuation processes.	02/2017
Define sustained process for full cost for OM&S.	12/2016
Test the OM&S processes to support valuation activities.	04/2017

Accomplishments

- Began existence and completeness work.

Challenges

- Dependencies on Military Service processes and systems and complexity of funding and execution limit implementation of corrective actions.

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Figure V-8. Systems Material to USSOCOM Audit Readiness (✓ = Completed)

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		USSOCOM	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Statement of Budgetary Resources – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Civilian Pay	DFAS	DISA	✓	✓	✓	✓	✓	04/2017
	Disbursing; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	04/2017
ADS IPAC MegaWizard	Reimbursable Work Orders - Grantor; Reimbursable Work Orders - Acceptor; Fund Balance with Treasury; Disbursing; Financial Reporting; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017
ATAAPS	Civilian Pay	DISA ¹	DISA	✓	✓	✓	✓	01/2017	04/2017
BAM ERMP	Contract & Vendor Pay Improper Payments for: One Pay; CAPSW; IAPS; EBS & MOCAS; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017
	Navy General Fund - Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017
DAAS/GEX	Contractual Services & Acquisition of Assets; Military Pay	DLA	DLA	✓	✓	✓	✓	01/2017	04/2017
DCPDS	Civilian Pay	DCPAS	Commercial Vendor	✓	✓	✓	✓	01/2017	04/2017
DCPS	Civilian Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
DDRS-AFS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
DDRS-B	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
DDRS-DCM	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
DPAS	Existence and Completeness – Military / Other Equipment	OUSD(AT&L)	DISA	✓	✓	✓	✓	01/2017	04/2017
DTS	Contractual Services & Acquisition of Assets; Transportation of People	DMDC	Commercial Vendor	✓	✓	✓	✓	01/2017	04/2017
EUD (AVPM/PPVM)	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
iRAPT	Procure to Pay / Order to Cash	DLA	DISA	✓	✓	✓	✓	01/2017	07/2016

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		USSOCOM	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
MOCAS	Contracts (Major); Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
		DCMA	DISA	✓	✓	✓	✓	01/2017	04/2017
SCRT	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
Syncada	Vendor Pay	Commercial Vendor	Commercial Vendor	✓	✓	✓	✓	01/2017	04/2017
Statement of Budgetary Resources – Service Provider Systems (Non-SSAE No. 16 Examinations)									
CAPS-W	Accounts Payable; Vendor Pay	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017
DCAS	Contractual Services & Acquisition of Assets; Civilian Pay; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
DCD/DCW	Management Decision Support Multiple Assessable Units to include Balance Sheet	DFAS	DISA	09/2017	09/2017	✓	✓	01/2017	04/2017
DoD eMALL	Procure to Pay / Order to Cash	DLA	DISA	✓	✓	✓	✓	01/2017	04/2017
DRRT	Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017
EBS	All	DLA	DISA	✓	✓	✓	✓	01/2017	04/2017
EDA	Contractual Services & Acquisition of Assets	DLA	DISA	✓	✓	✓	✓	01/2017	04/2017
EDM	Vendor Pay; Contract Pay	DLA	DISA					01/2017	04/2017
GAFS - (DTS)	Transportation of People	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
ODS	(ALL) Contractual Services & Acquisition of Assets; Civilian Pay; Financial Reporting; Fund Balance with Treasury; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
One Pay	Military Standard Requisition Issue Procedure; Permanent Change of Station; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
PBAS-FD	Funds Receipt and Distribution Management; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
SABRS	Statement of Budgetary Resources / Activity	DFAS	DISA	✓	✓	✓	✓	01/2017	7/2016

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		USSOCOM	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
SOMARDS	Financial Reporting / Multiple; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	
STANFINS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
STARS FL	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Funds Receipt and Disbursement; Financial Statement Compilation and Reporting; Military Standard Requisition Issue Procedure; Military Pay; Permanent Change of Station; Reimbursable Work Orders; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
STORES	Order to Cash	DLA	DISA	✓	✓	✓	✓	01/2017	04/2017
Statement of Budgetary Resources – Other System Owners									
ABSS	Vendor Pay; Large Contracts; Reimbursement Budget Authority and Execution	Air Force	Air Force	✓	✓	✓	✓	01/2017	04/2017
ACPS	Contracts (Major)	Air Force	Air Force	✓	✓	✓	✓	01/2017	04/2017
AFM	Reimbursement Budget Authority and Execution; Funds Distribution to Base	Air Force	Air Force	✓	✓	✓	✓	01/2017	04/2017
CFMS-CNIC	Contract Vendor Pay; Financial Statement Compilation and Reporting; Funds Receipt and Disbursement; Military Standard Requisition Issue Procedure; Reimbursable Work Orders	Navy	Navy	✓	✓	✓	✓	01/2017	04/2017
DEAMS	All	Air Force	Air Force	✓	✓	✓	✓	01/2017	04/2017
DMLSS-R	MILSTRIP	DLA	DISA	✓	✓	✓	✓	01/2017	04/2017
ERMS/NITA	Transportation of Things	Navy	Navy	09/2017	9/2017	9/2017	09/2017	01/2017	04/2017

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		USSOCOM	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
FASTDATA	Contract Vendor Pay; Financial Statement Compilation and Reporting; Funds Receipt and Disbursement; Military Standard Requisition Issue Procedure; Reimbursable Work Orders	Navy	Navy	N/A	N/A	✓	✓	3/2017	04/2017
GCSS-A	Supplies(MILSTRIP); Fund Balance with Treasury; Reimbursables; Appropriations Received; Other Budget Activity; Financial Reporting	Army	Army	✓	09/2017	✓	09/2017	01/2017	04/2017
GCSS-MC	Operating Materials and Supplies; Military Equipment	USMC	DISA	✓	✓	✓	✓	01/2017	04/2017
GFEBs	Contractual Services & Acquisition of Assets	Army	Army	✓	✓	✓	✓	01/2017	04/2017
Navy ERP	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Financial Statement Compilation and Reporting; Funds Receipt and Disbursement; Military Standard Requisition Issue Procedure; Reimbursable Work Orders; Transportation of Things; Transportation of People	Navy	Navy	✓	✓	✓	✓	01/2017	04/2017
PR Builder	Contract and Vendor Pay; Reimbursable Work Order	USMC	USMC	✓	09/2016	09/2017	09/2017	N/A	N/A
SLDCADA	Civilian Pay	Navy	Navy	✓	✓	✓	✓	01/2017	04/2017
SPS	Contract Vendor Pay	Navy	Navy	✓	✓	✓	✓	01/2017	04/2017
SPS	Vendor Pay; Contracts (Major)	Air Force	Air Force	✓	✓	✓	✓	01/2017	04/2017
SPS2 /PD2	Contractual Services & Acquisition of Assets	Army	Army	09/2017	09/2017	09/2017	09/2017	01/2017	04/2017
TOPS	Transportation of Things	USTRANSCOM	USTRANSCOM	09/2016	09/2016	09/2016	09/2016	09/2016	09/2016
Mission-Critical Assets Existence and Completeness – Service Provider (Non-SSAE No. 16 Examinations)									
EBS	All	DLA	DISA	✓	✓	✓	✓	01/2017	04/2017

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		USSOCOM	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Mission-Critical Assets Existence and Completeness – Other System Owners									
GCSS-A	Supplies(MILSTRIP); Fund Balance with Treasury; Reimbursables; Appropriations Received; Other Budget Activity; Financial Reporting	Army	Army	✓	09/2017	✓	09/2017	01/2017	04/2017
GCSS-MC	Operating Materials and Supplies; Military Equipment	USMC	DISA	✓	✓	✓	✓	01/2017	04/2017
GFEB	Contractual Services & Acquisition of Assets	Army	Army	✓	✓	✓	✓	01/2017	04/2017
MicroSnap	Operating Materials and Supplies	Navy	Navy	09/2017	09/2017	09/2017	09/2017	01/2017	04/2017
Navy ERP	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Financial Statement Compilation and Reporting; Funds Receipt and Disbursement; Military Standard Requisition Issue Procedure; Reimbursable Work Orders; Transportation of Things; Transportation of People	Navy	Navy	N/A	N/A	✓	✓	01/2017	04/2017
RSUPPLY	Military Standard Requisition Issue Procedure	Navy	Navy	N/A	N/A	✓	✓	01/2017	04/2017
SALTS	Operating Materials and Supplies	Navy	Navy	09/2017	09/2017	✓	✓	01/2017	04/2017
Balance Sheet – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Civilian Pay	DFAS	DISA	✓	✓	✓	✓	✓	04/2017
	Disbursing; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	✓	04/2017
ADS IPAC MegaWizard	Reimbursable Work Orders - Grantor; Reimbursable Work Orders - Acceptor; Fund Balance with Treasury; Disbursing; Financial Reporting; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		USSOCOM	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
BAM ERMP	Contract & Vendor Pay Improper Payments for: One Pay; CAPSW; IAPS; EBS & MOCAS; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017
	Navy General Fund - Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017
DCAS	Contractual Services & Acquisition of Assets; Civilian Pay; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
DCPS	Civilian Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
DDRS-AFS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
DDRS-DCM	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
EUD (AVPM/PPVM)	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
MOCAS	Contracts (Major); Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
		DCMA	DISA	✓	✓	✓	✓	01/2017	04/2017
SCRT	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
Balance Sheet – Service Provider Systems (Non-SSAE No. 16 Examinations)									
DCD/DCW	Management Decision Support Multiple Assessable Units to include Balance Sheet	DFAS	DISA	9/2017	9/2017	✓	✓	01/2017	04/2017
EBS	All	DLA	DISA	✓	✓	✓	✓	01/2017	04/2017
ODS	(ALL) Contractual Services & Acquisition of Assets; Civilian Pay; Financial Reporting; Fund Balance with Treasury; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
One Pay	Military Standard Requisition Issue Procedure; Permanent Change of Station; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		USSOCOM	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
PBAS-FD	Funds Receipt and Distribution Management; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
SOMARDS	Financial Reporting / Multiple; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	
STANFINS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
STARS FL	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Funds Receipt and Disbursement; Financial Statement Compilation and Reporting; Military Standard Requisition Issue Procedure; Military Pay; Permanent Change of Station; Reimbursable Work Orders; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
Balance Sheet – Other System Owners									
DEAMS	All	Air Force	Air Force	✓	✓	✓	✓	01/2017	04/2017
GCSS-A	Supplies(MILSTRIP); Fund Balance with Treasury; Reimbursables; Appropriations Received; Other Budget Activity; Financial Reporting	Army	Army	✓	09/2017	✓	09/2017	01/2017	04/2017
GCSS-MC	Operating Materials and Supplies; Military Equipment	USMC	DISA	✓	✓	✓	✓	01/2017	04/2017
GFEBs	Contractual Services & Acquisition of Assets	Army	Army	✓	✓	✓	✓	01/2017	04/2017
Navy ERP	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Financial Statement Compilation and Reporting; Funds Receipt and Disbursement; Military Standard Requisition Issue Procedure; Reimbursable Work Orders; Transportation of Things; Transportation of People	Navy	Navy	✓	✓	✓	✓	01/2017	04/2017

U.S. TRANSPORTATION COMMAND

USTRANSCOM is the single manager of the United States Global Defense Transportation System. It is tasked with coordinating the transportation of people and assets to allow the United States to project and sustain forces, whenever, wherever, and for as long as they are needed.

USTRANSCOM's force of Soldiers, Sailors, Airmen, Marines, Coast Guardsmen, civilians, and commercial partners accomplishes a wide array of joint mobility missions. With its people, trucks, trains, railcars, aircraft, ships, information systems, and infrastructure, as well as through its commercial partners providing 1,203 aircraft and 379 vessels in the Civil Reserve Air Fleet and Voluntary Intermodal Sealift Agreement, respectively, USTRANSCOM provides the United States with the most responsive strategic mobility capability in the world.

USTRANSCOM is comprised of:

- Army's Military Surface Deployment and Distribution Command (SDDC)
- Navy's Military Sealift Command (MSC)
- Air Force's Air Mobility Command (AMC)
- Joint Reserve Component Directorate (JRCD)
- Joint Enabling Capabilities Command (JECC)

USTRANSCOM is preparing for an IPA audit of its FY 2018 financial statements. In doing so, the Command has been aggressively working to remediate deficiencies, test and strengthen controls, and develop an audit support infrastructure.

Audit Readiness Accomplishments

Since the November 2015 report, USTRANSCOM achieved the following audit readiness accomplishments:

- USTRANSCOM Commander hosted Component Commanders' Conference and set the Tone-at-the-Top for prioritization of FIAR activities.
- SDDC completed detailed FISCAM reviews of all SDDC owned financial systems.
- SDDC successfully implemented a "Least Privileged" system access control model for TFMS with full segregation of duties audit compliance.
- SDDC completed a universe of transactions reconciliation for TFMS transaction detail to TFMS Trial Balance for the months of October - December 2015.
- SDDC successfully implemented SFIS 10.1 data standards and SLOA capability within TFMS.
- SDDC completed reconciliation and closeout of 80,000 transactions appearing on the TFMS open document listing.
- SDDC completed 100 percent reconciliation of DoD Rail Fleet assets resulting in the retirement of 315 rail assets and addition of 27 other rail assets.
- MSC developed a Tier II Asset Management Procedure Guide, business process narratives, and flowcharts to support standardizing FIAR compliant processes across MSC relevant asset classes. The Tier II procedures cover OM&S, General Equipment, Internal Use Software, and Government Furnished Property.
- MSC defined an approach to determine its Internal Use Software beginning balance, which was documented in a position paper. MSC is developing a process to account for Internal Use Software inventory going forward.
- MSC conducted additional FISCAM retesting on MSC-FMS of areas identified needing improvement from the initial FISCAM testing conducted in FY 2013 and FY 2014.

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- MSC completed five FISCAM self-assessments for SPS and SHIPCLIP.
- MSC implemented a centralized, more robust and portal-based FIAR Knowledge Management site with improved accountability and visibility.
- AMC completed monthly reconciliations and determined variance between DEAMS, GAFS-R, and DDRS-B to support the universe of transaction effort.
- AMC determined its accountable property system of record for Property, Plant, and Equipment and demonstrated a complete universe of reconciled transactions through reconciliations to the financial statements.
- AMC ensured all assets are recorded in the accountable property system of record, and all assets in the physical inventories exist and are recorded.
- AMC published process guides that document a methodology for acquiring documentation to support asset cost, acquisition date, and useful life.

USTRANSCOM CRITICAL CAPABILITIES

USTRANSCOM is focused on high-risk areas and critical capabilities identified by the Department. The critical capabilities include:

The critical capabilities include:

- Universe of Transactions
- Fund Balance with Treasury
- Journal Vouchers
- Existence, Completeness, and Rights and Obligations of Assets
- Valuation of Assets
- Environmental and Disposal Liabilities
- IT Controls

Figure V-9 provides the completion dates for each critical capability. Following Figure V-9 are charts for each critical capability containing the dates for achieving the capability, accomplishments, and challenges. Information on systems material to audit follows the critical capability charts.

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Figure V-9. U.S. Transportation Command Audit Readiness Critical Capabilities (✓ = Completed)

Critical Capability		Implementation/ Remediation Complete	Validation Complete
Universe of Transactions	Statement of Budgetary Resources	03/2017	09/2017
	Balance Sheet	03/2017	09/2017
Fund Balance with Treasury		06/2016	09/2017
Journal Vouchers		03/2017	09/2017
Existence, Completeness, and Rights and Obligations of Assets/Valuation of Assets	Real Property (including Construction in Progress)	08/2016	09/2017
	General Equipment (including Military Equipment)	08/2016	09/2017
	Internal Use Software	08/2016	09/2017
	Inventory and Related Property	08/2016	09/2017
Environmental Liabilities		08/2016	09/2017
IT Controls		12/2016	09/2017

U.S. Transportation Command – Universe of Transactions Statement of Budgetary Resources

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	03/2017

Accomplishments

- Implemented quarterly reconciliations from DDRS-B and DDRS-AFS to financial statements.
- Implemented reconciliations of DDRS to trial balances and accounting system detail, except for DEAMS to GAFS-R.
- Variance analysis ongoing for monthly reconciliations.

Challenges

- Unable to fully reconcile DEAMS TD to GAFS-R due to legacy conversion issues.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	12/2016
Interim Milestones	
Perform scoping assessment of feeder systems.	✓
Begin discovery procedures and scripting reconciliation to accounting systems.	✓
Complete scoping assessment of feeder systems.	12/2016
Complete scripting reconciliation to accounting systems.	12/2016
Complete identification and resolution of differences.	12/2016

Accomplishments

- Performed scoping assessment of over 75 feeder systems and determined 23 systems to be in-scope.

Challenges

- Resource constraints with the development of in-house Teradata tool.
- Competing with Military Service FIAR efforts, priorities, and Service-owned systems.
- Varying data formats, size constraints, and systems reporting limitations.

U.S. Transportation Command – Universe of Transactions Balance Sheet

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	03/2017

Accomplishments

- Implemented quarterly reconciliations from DDRS-B and DDRS-AFS to financial statements.
- Implemented reconciliations of DDRS to trial balances and accounting system detail, except for DEAMS to GAFS-R.
- Variance analysis ongoing for monthly reconciliations.

Challenges

- Unable to fully reconcile DEAMS TD to GAFS-R due to legacy conversion issues.
- DEAMS TD to DEAMS trial balance reconciliation variances are caused by encumbrance journals in DEAMS TD.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	12/2016
Interim Milestones	
Perform scoping assessment of feeder systems.	✓
Begin discovery procedures and scripting reconciliation to accounting systems.	✓
Complete scoping assessment of feeder systems	12/2016
Complete scripting reconciliation to accounting systems.	12/2016
Complete identification and resolution of differences.	12/2016

Accomplishments

- Performed scoping assessment of 75 feeder systems and determined 23 systems to be in-scope.

Challenges

- Resource constraints with the development of in-house Teradata tool.
- Competing with Military Service FIAR efforts, priorities, and Service owned systems
- Varying data formats, size constraints, and systems reporting limitations.

U.S. Transportation Command – Fund Balance with Treasury

Critical Capability	Completion
A) Process and tools to identify, age, and resolve differences between the general ledgers (proprietary and budgetary) and Treasury (at voucher-level).	06/2016
Interim Milestones	
Develop Transportation Working Capital Fund - Columbus Cash Accountability System reconciliation tool.	06/2016
Monthly walk-through with DFAS.	06/2016

Accomplishments

- Partnering with DFAS and utilized Columbus Cash Accountability System – Air Force tool to develop a Transportation Working Capital Fund Columbus Cash Accountability System reconciliation tool. Data was pulled from the tool that received a favorable examination several years ago and was not an issue during the Air Force SBA audit.
- Began DFAS and USTRANSCOM monthly walkthrough.
- Tool demonstrates Transportation Working Capital Fund cash balances reconcile to Treasury and can identify, age, and resolve the detail transactions making up reconciliation differences.

Challenges

- Developing corrective actions tied to differences.
- SCR development due to budgetary to proprietary accounts that do not tie out.
- Implementing corrective actions.

Critical Capability	Completion
B) Process and tools to identify, age, and resolve transactions posted to budget clearing accounts within 60 days (suspense" accounts).	✓
Interim Milestones	
Create monthly management product for aging AMC and MSC suspense items.	✓
Sustain monthly management products.	✓
Identify solution for AMC aged suspense.	✓

Accomplishments

- Partnering with DFAS, a monthly brief was created that reflects USTRANSCOM suspense items, which helps assess the progression of clearing aged lines and discloses the current issues and challenges.
- Identified solution for AMC aged suspense.

Challenges

- AMC has over 8,000 lines to clear that are over one year old.
- AMC transactions are posted as a reimbursement in DFB, but DEAMS posts them as a disbursement. DFAS is working to clear these lines.
- MSC aged lines are due to lack of approval to move funding from 57F3885 LOA to the WCF lines. MSC will need to add funding to 174 lines to clear the aging suspense.

U.S. Transportation Command – Fund Balance with Treasury

Critical Capability	Completion
C) Process and tools to identify, age, and resolve transactions reported on Treasury's statements of differences within 30 days.	✓
Interim Milestones	
Identify disbursing office sources and aging of Transportation Working Capital Fund schedule of differences.	✓
Assess root cause/implement solution for any material schedule of differences.	✓

Accomplishments

- Identified disbursing office sources and aging of Transportation Working Capital Fund schedule of differences.
- Assessed root causes and implemented solution for material schedule of differences.

Challenges

- None

Critical Capability	Completion
D) Perform aging analysis and apply reconciliations backwards to any years possible.	06/2016

Accomplishments

- None

Challenges

- None

U.S. Transportation Command – Journal Vouchers

Critical Capability	Completion
Elimination Entries – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements related to intra-component and intra-departmental elimination entries.	03/2017
Interim Milestones	
Submit FY 2017 and FY 2018 estimated costs for systems requirements.	✓
Build GT&Cs in IPP, participate in IPP training, build IGT orders with applicable trading partner data elements.	06/2016
Execute 75% of Reimbursable Authority in IPP (GTC only); submit trading partner data on 25% of federal accounts payables records.	09/2016
Submit trading partner data on 50% of federal Accounts Payable records.	12/2016
Execute 100% of Reimbursable Authority in IPP (GT&C only); submit trading partner data on 100% of federal accounts payable records.	03/2017

Accomplishments

- Published the DoD Intragovernmental Data Standard (IGDS).
- Drafted DoD Instruction to define target process for eliminations.

Challenges

- Awaiting Treasury approval of submitted data standards, subsequent update of the Treasury Financial Manual, and system changes to IPP to align to the target process and data standard.

Critical Capability	Completion
All Other Journal Vouchers – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements for all other journal vouchers.	03/2017
Interim Milestones	
DCFO/DFAS perform root cause analysis on DDRS journal vouchers.	06/2016
DCFO/DFAS develop corrective actions for DDRS journal vouchers.	06/2016
Tier 3 and Tier 4 Entities, OUSD(C), system owners, DFAS Implement corrective actions for DDRS journal vouchers.	03/2017

Accomplishments

- DFAS developed and delivered journal voucher training to over 2,300 individuals on communicating concepts, proper steps, and documentation to prepare supportable and auditable journal vouchers.
- DFAS developed and implemented a journal voucher catalog and checklist to identify and standardize supporting documentation. The interactive form identifies required supporting documents by journal voucher type. The form was deployed at each DFAS site in 01/2016.
- DFAS improved processes for journal voucher review and approval by the reporting entities. The processes are documented through MOUs signed with each reporting entity in 2015 and early 2016.
- DFAS established a working group responsible for identifying root causes and developing improvement plans for journal vouchers produced in financial reporting systems. The group is analyzing

key attributes vital to the development of improvement plans aimed at reducing the number of journal vouchers.

Challenges

- DFAS and OUSD(C) cannot readily implement corrective actions due coordination with system owners to ensure required SCRs are developed and implemented to remediate failed tie points and other system limitation issues.
- DFAS and reporting entities must coordinate with other stakeholders to receive financial information in a timely manner and record financial data and accounting transactions in accounting systems.
- DFAS and reporting entities must fully implement and execute solutions to support both manual and system generated journal vouchers.
- Reporting entities are reliant on legacy accounting and feeder systems that are difficult to replace or phase out because of wide use. It will be prohibitively expensive and time consuming to convert from legacy systems to ERPs and non-legacy feeder systems by 2017.

U.S. Transportation Command – Existence and Completeness/Valuation of Assets Real Property, Including Construction in Progress

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	08/2016
Interim Milestones	
Evaluate existing asset listings.	✓
Researching Construction in Progress and catching up Asset capitalization.	07/2016

Accomplishments

- Researched Construction in Progress and updated asset capitalizations.
- Implemented a monthly Construction in Progress review with budget to ensure capital assets are properly capitalized.

Challenges

- Construction in Progress asset capitalization is not performed.
- DEAMS Construction in Progress is inaccurate.

Critical Capability	Completion
A) Establish an auditable valuation baseline.	08/2016
B) Establish an auditable valuation process for go-forward activity.	08/2016
Interim Milestones	
Review Construction in Progress process to ensure appropriate Capital assets are being depreciated.	07/2016
Document inventory process plan as a repeatable process.	07/2016

Accomplishments

- Started researching Construction in Progress and asset capitalization.

Challenges

- Construction in Progress asset capitalization is not performed.
- DEAMS Construction in Progress is inaccurate.

U.S. Transportation Command – Existence and Completeness/Valuation of Assets General Equipment, Including Military Equipment

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	08/2016
Interim Milestones	
Complete inventory of assets.	06/2016
Establish monthly testing process.	08/2016
Complete corrective actions associated with Discovery.	08/2016

Accomplishments

- None

Challenges

- None

Critical Capability	Completion
A) Establish an auditable valuation baseline.	08/2016
Interim Milestones	
Complete inventory of assets.	07/2016
Critical Capability	
B) Establish an auditable valuation process for go-forward activity.	08/2016
Interim Milestones	
Utilize existing Component asset systems to perform inventories.	07/2016
Document inventory process as a repeatable process.	07/2016

Accomplishments

- None

Challenges

- None

U.S. Transportation Command – Existence and Completeness/Valuation of Assets Internal Use Software

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	08/2016
Interim Milestones	
TCJ6 to determine appropriate APSR for Internal Use Software.	07/2016
Review/inventory/valuation of Internal Use Software.	08/2016

Accomplishments

- USTRANSCOM CIO developed and defined Component roles and responsibilities.
- Decision made to use Air Force accountable property system of record for Internal Use Software.

Challenges

- Labor intensive Internal Use Software inventory review and valuation.

Critical Capability	Completion
A) Establish an auditable valuation baseline.	08/2016
Critical Capability	Completion
B) Establish an auditable valuation process for go-forward activity.	08/2016

Accomplishments

- USTRANSCOM CIO developed and defined Component roles and responsibilities.
- Decision made to use Air Force accountable property system of record for Internal Use Software.

Challenges

- Labor intensive Internal Use Software inventory review and valuation.

U.S. Transportation Command – Existence and Completeness/Valuation of Assets Inventory and Related Property

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	08/2016
Interim Milestones	
Evaluate existing inventory listings.	07/2016

Accomplishments

- None

Challenges

- Resource constraints and prioritization of critical focus areas.

Critical Capability	Completion
A) Establish an auditable valuation baseline.	08/2016
Critical Capability	Completion
B) Establish an auditable valuation process for go-forward activity.	08/2016
Interim Milestones	
Document inventory process plan as a repeatable process.	07/2016

Accomplishments

- None

Challenges

- Resource constraints and prioritization of critical focus areas.

U.S. Transportation Command – Environmental Liabilities

Critical Capability	Completion
Establish an auditable process for estimating (identifying and valuing) and recording environmental and disposal liabilities.	08/2016
Interim Milestones	
Survey Component site locations to accurately identify Environmental Liabilities.	08/2016

Accomplishments

- None

Challenges

- Resource constraints and prioritization of critical focus areas.

U.S. Transportation Command – Information Technology

Critical Capability	Completion
Implement critical information technology general and application controls for material, financially-relevant systems.	12/2016
Interim Milestones	
Test control design effectiveness.	07/2016
Develop test plans.	07/2016
Remediate 30 FISCAM corrective actions.	07/2016

Accomplishments

- TFMS remediated 18 corrective action plans.
- COINS remediated 5 corrective action plans.
- DCBS remediated 8 corrective action plans.
- GATES remediated 6 corrective action plans.
- GDSS remediated all corrective action plans.
- IBS remediated 18 corrective action plans.

Challenges

- None

FIAR Plan Status Report

Figure V-10. Systems Material to USTRANSCOM Audit Readiness (✓ = Completed)

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		USTRANSCOM	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Statement of Budgetary Resources – USTRANSCOM Systems									
COINS	Transportation of Things	USTRANSCOM	CPE Distributed Enclave	03/2017	09/2017	03/2017	09/2017	03/2017	09/2017
DCBS	Transportation of Things	USTRANSCOM	AMC	✓	✓	✓	✓	✓	✓
DHAMS	Civilian Mariner Payroll	USTRANSCOM (MSC)	Afloat Application	05/2017	08/2017	03/2017	09/2017	03/2017	09/2017
GATES	Transportation of Things	USTRANSCOM	AMC	✓	✓	✓	✓	✓	✓
GDSS	Transportation of Things	USTRANSCOM	HQ AMC	✓	✓	✓	✓	✓	✓
IBS	Transportation of Things	USTRANSCOM	SDDC	09/2016	09/2016	09/2016	09/2016	09/2016	09/2016
MSC-FMS	All	USTRANSCOM (MSC)	SPAWAR-NEDC	✓	08/2017	03/2017	09/2017	03/2017	09/2017
MSC-HRMS	Civilian Mariner Payroll	USTRANSCOM (MSC)	SPAWAR-NEDC	05/2017	08/2017	03/2017	09/2017	03/2017	09/2017
SPS/PD2	Vendor Pay; Contracts (Major)	USTRANSCOM (MSC)	SPAWAR-NEDC	✓	08/2017	03/2017	09/2017	03/2017	09/2017
Mission-Critical Assets Existence and Completeness – USTRANSCOM Systems									
CMLS	General Equipment; Inventory; Operating Materials and Supplies	USTRANSCOM (MSC)	SPAWAR-NEDC	✓	08/2017	03/2017	09/2017	03/2017	09/2017
ShipClip	Inventory; Operating Materials and Supplies	USTRANSCOM (MSC)	Afloat Application	05/2017	08/2017	03/2017	09/2017	03/2017	09/2017
Balance Sheet – USTRANSCOM Systems									
CAB	Transportation of Things	USTRANSCOM	SDDC	03/2017	09/2017	03/2017	09/2017	03/2017	09/2017
COINS	Transportation of Things	USTRANSCOM	CPE Distributed Enclave	03/2017	09/2017	03/2017	09/2017	03/2017	09/2017
DCBS	Transportation of Things	USTRANSCOM	AMC	✓	✓	✓	✓	✓	✓

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		USTRANSCOM	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
DHAMS	Civilian Mariner Payroll	USTRANSCOM (MSC)	Afloat Application	05/2017	08/2017	03/2017	09/2017	03/2017	09/2017
GATES	Transportation of Things	USTRANSCOM	AMC	✓	✓	✓	✓	✓	✓
GDSS	Transportation of Things	USTRANSCOM	HQ AMC	✓	✓	✓	✓	✓	✓
IBS	Transportation of Things	USTRANSCOM	SDDC	09/2016	09/2016	09/2016	09/2016	09/2016	09/2016
MSC-FMS	All	USTRANSCOM (MSC)	SPAWAR-NEDC	✓	08/2017	03/2017	09/2017	03/2017	09/2017
MSC-HRMS	Civilian Mariner Payroll	USTRANSCOM (MSC)	SPAWAR-NEDC	05/2017	08/2017	03/2017	09/2017	03/2017	09/2017
SPS/PD2	Vendor Pay; Contracts (Major)	USTRANSCOM (MSC)	SPAWAR-NEDC	✓	08/2017	03/2017	09/2017	03/2017	09/2017
Statement of Budgetary Resources – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Civilian Pay Disbursing; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
	Disbursing; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
ADS IPAC Mega Wizard	Reimbursable Work Orders - Grantor; Reimbursable Work Orders - Acceptor; Fund Balance with Treasury; Disbursing; Financial Reporting; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	03/2017	09/2017
BAM ERMP	Contract & Vendor Pay Improper Payments for: One Pay; CAPSW; IAPS; EBS & MOCAS; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	03/2017	09/2017
DAAS/GEX	Contractual Services & Acquisition of Assets; Civilian Pay; Reimbursable Work Orders (Acceptor/Grantor); Transportation of People; Financial Reporting	DLA	DLA	✓	✓	✓	✓	03/2017	09/2017
DCPDS	Civilian Pay	DCPAS	Commercial Vendor	✓	✓	✓	✓	03/2017	09/2017
DCPS	Civilian Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
DDRS-AFS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
DDRS-B	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		USTRANSCOM	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
DDRS-DCM	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
DRRT	Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	03/2017	09/2017
DTS	Travel	DMDC	Commercial Vendor	✓	✓	✓	✓	03/2017	09/2017
iRAPT	Vendor Pay; Contracts (Major)	DLA	DISA	✓	✓	✓	✓	03/2017	09/2017
EUD (APVM/PPVM)	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
Syncada	Contractual Services & Acquisition of Assets	Commercial Vendor	Commercial Vendor	✓	✓	✓	✓	03/2017	09/2017
Statement of Budgetary Resources – Service Provider Systems (Non-SSAE No. 16 Examinations)									
AFM	Reimbursement Budget Authority and Execution; Funds Distribution to Base	Air Force	Air Force	✓	✓	✓	✓	03/2017	09/2017
DCAS	Contractual Services & Acquisition of Assets; Civilian Pay; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
EDA	Contractual Services & Acquisition of Assets	DLA	DISA	✓	✓	✓	✓	03/2017	09/2017
EDM	Vendor Pay; Contract Pay	DLA	DISA	10/2016	04/2017	10/2016	04/2017	03/2017	09/2017
SPS-USAF	Vendor Pay; Contracts (Major)	Air Force	Air Force	✓	✓	✓	✓	03/2017	09/2017
Statement of Budgetary Resources – Other System Owners									
AROWS	Travel Payment Military PCS	Air Force	Air Force	✓	✓	✓	✓	03/2017	09/2017
AROWS-R	Travel Payment Military PCS	Air Force	Air Force	✓	✓	✓	✓	03/2017	09/2017
CRIS	All	Air Force	DISA	N/A	N/A	✓	✓	✓	✓
DEAMS	All	Air Force	Air Force	N/A	N/A	✓	✓	✓	✓
EBS	Contractual Services & Acquisition of Assets	DLA	DISA	✓	✓	✓	✓	03/2017	09/2017
RTS	Travel Pay TDY; Civilian PCS	Air Force	Air Force	✓	✓	✓	✓	03/2017	09/2017
SLDCADA	Civilian Pay	Navy	Navy	✓	✓	✓	✓	✓	✓
TFMS	All	SDDC	SDDC	09/2016	09/2016	09/2016	09/2016	09/2016	09/2016

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		USTRANSCOM	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Mission-Critical Assets Existence and Completeness – Service Provider Systems (Non-SSAE No. 16 Examinations)									
IWIMS	Real Property	Air Force	DISA	✓	03/2017	✓	✓	✓	09/2017
Balance Sheet – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Civilian Pay Disbursing; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
	Disbursing; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
ADS IPAC Mega Wizard	Reimbursable Work Orders - Grantor; Reimbursable Work Orders - Acceptor; Fund Balance with Treasury; Disbursing; Financial Reporting; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	03/2017	03/2017
BAM ERMP	Contract & Vendor Pay Improper Payments for: One Pay; CAPSW; IAPS; EBS & MOCAS; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	03/2017	03/2017
DAAS/GEX	All	DLA	DLA	✓	✓	✓	✓	03/2017	03/2017
DCPDS	Civilian Pay	DCPAS	Commercial Vendor	✓	✓	✓	✓	03/2017	03/2017
DCPS	Civilian Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
DDRS-AFS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
DDRS-B	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
DDRS-DCM	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	09/2017
DRRT	Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	03/2017	03/2017
DTS	Travel	DMDC	Commercial Vendor	✓	✓	✓	✓	03/2017	03/2017
EUD (APVM/PPVM)	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
Syncada	Contractual Services & Acquisition of Assets	Commercial Vendor	Commercial Vendor	✓	✓	✓	✓	03/2017	03/2017
iRAPT	Vendor Pay; Contracts (Major)	DLA	DISA	✓	✓	✓	✓	03/2017	03/2017
Balance Sheet – Service Provider Systems (Non-SSAE No. 16 Examinations)									

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		USTRANSCOM	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
AFM	Reimbursement Budget Authority and Execution; Funds Distribution to Base	Air Force	Air Force	✓	✓	✓	✓	✓	✓
DCAS	Contractual Services & Acquisition of Assets; Civilian Pay; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	03/2017	03/2017
EDA	Contractual Services & Acquisition of Assets	DLA	DISA	✓	✓	✓	✓	03/2017	03/2017
EDM	Vendor Pay; Contract Pay	DLA	DISA	10/2016	04/2017	10/2016	04/2017	03/2017	03/2017
iRAPT	Procure to Pay / Order to Cash	DLA	DISA	✓	✓	✓	✓	03/2017	03/2017
SPS-USAF	Vendor Pay; Contracts (Major)	Air Force	Air Force	✓	✓	✓	✓	03/2017	03/2017
Balance Sheet – Other System Owners									
AROWS	Travel Payment Military PCS	Air Force	Air Force	✓	✓	✓	✓	03/2017	03/2017
AROWS-R	Travel Payment Military PCS	Air Force	Air Force	✓	✓	✓	✓	03/2017	03/2017
CRIS	All	Air Force	DISA	✓	✓	✓	✓	03/2017	03/2017
DEAMS	All	Air Force	Air Force	✓	✓	✓	✓	03/2017	03/2017
EBS	Contractual Services & Acquisition of Assets	DLA	DISA	✓	✓	✓	✓	03/2017	03/2017
RTS	Travel Pay TDY; Civilian PCS	Air Force	Air Force	✓	✓	✓	✓	03/2017	03/2017
SLDCADA	Civilian Pay	Navy	Navy	✓	✓	✓	✓	03/2017	03/2017

Tier 3 – DoD-Designated Examinations

DoD-Designated Examinations includes the other material ODOs, which account for 4 percent of DoD budgetary resources. In FY 2015, these ODOs were under either SBA examinations or financial statement mock audits:

SBA Examinations:

- Chemical Biological Defense Program
- Defense Advanced Research Projects Agency
- Defense Threat Reduction Agency
- Missile Defense Agency
- Washington Headquarters Services

Financial Statement Mock Audits:

- Defense Contract Management Agency
- DoD Education Activity
- Defense Security Cooperation Agency
- Office of the Chairman of the Joint Chiefs of Staff

Tier 4 ODOs include other TI-97 funds provided to Army by the Office of the Secretary of Defense.

The SBA examinations and financial statement mock audits identified issues, requiring these ODOs to address and resolve IPA prepared NFRs during FY 2016. Financial statement examinations are planned for FY 2017 and FY 2018.

AUDIT READINESS ACCOMPLISHMENTS

Since the November 2015 report, the Tier 3 entities achieved the following audit readiness accomplishments:

- The five ODOs that completed IPA SBA examinations received valuable feedback and are implementing corrective actions to address deficiencies.
- Tier 3 ODOs collaborated with DFAS to establish journal voucher review MOUs identifying a review threshold and timeline, required supporting documentation, and issue tracking guidelines.
- Tier 3 ODOs are actively participating in an OUSD(C) led initiative and are coordinating with trading partners to input General Terms and Conditions in IPP.
- DARPA continued working with DFAS to resolve Fund Balance with Treasury issues resulting in the monthly Cash Management Report adjustment. In addition, DARPA discovered a way to identify and properly record disbursements, which were mistakenly not classified as DARPA in creation of the Cash Management Report adjustment.
- DoDEA is in the early post implementation phase of the DAI accounting system that will generate accurate and reliable financial and reporting data necessary for audit readiness.
- DSCA conducted transaction-level detail reconciliations for Quarters 1 and 2 of FY 2016. DSCA produced a centralized accounting universe of transactions consisting of general ledger populations aggregated from 20+ unique feeder sources.
- DSCA finalized Quantitative Drill Down logic for its self-executed funds and is able to perform preliminary reconciliations on source systems by assessable unit for Quarter 1 of FY 2016.

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- DSCA enhanced its process on Unliquidated Obligation (ULO) validation to include standardized reporting, review and validation, and oversight of ULOs on a monthly basis.
- MDA received a modified opinion on its FY 2015 SBA examination.
- MDA implemented a Capital Assets Project Structure that will allow detailed transactions to be tied to capital assets beginning with the initial purchase requisition.
- MDA implemented a consolidated Financial Improvement and Audit Readiness and Manager's Internal Control Program (FIAR-MICP) guide as a tool to educate and focus a diverse, highly technical, and geographically dispersed workforce on audit requirements, effective internal controls and processes, and financial reporting.
- MDA initiated General Equipment, Real Property, and Operating Materials and Supplies asset testing with the FIAR Tiger Team in February 2016.
- TJS established a Business Controls Branch responsible for data calls, examinations and audits, and establishing and monitoring effective controls across the Joint Staff.
- TJS created an Entitlement Scorecard, which is updated on a daily basis. The scorecard identifies the number of transactions and dollar value for invoices awaiting a receiving report, unprocessed travel accruals, unmatched disbursements, invoices which failed the automated pre-validation process.
- TJS established a SharePoint repository for supporting documentation.

- WHS developed an Internal Use Software accountability and financial reporting strategy to establish a baseline by October 2016.
- WHS conducted testing on General Equipment asset inventory and the acquisition and disposal processes, conducted discovery on Pentagon Force Protection Agency (PFPA) processes for ammunition acquisition, management, and disposal for future testing.

NOTICES OF FINDINGS AND RECOMMENDATIONS

In FY 2015, CDBP, DARPA, DTRA, MDA, and WHS completed IPA SBA examinations. NFRs pertained to critical capabilities and issues categorized in Figure V-11. The OUSD(C) is tracking the NFRs and ODO corrective actions to ensure they are properly and timely remediated. In addition, the OUSD(C) is sharing across the Department the IPA identified deficiencies and solutions, since the deficiencies at one Component are likely to be deficiencies across the Department.

To facilitate the process of monitoring NFR remediation and sharing lessons learned and solutions, the OUSD(C) developed an NFR Tracking Tool. The OUSD(C) maintains the NFR Tracking Tool, a centralized database, to provide visibility into the Department's audit readiness progress and facilitate oversight.

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Figure V-11. Tier 3 Notices of Findings and Recommendations

Finding Category	Finding Description
Entity-Level Controls	Control activities at the entity-level were not defined or assessed.
Internal Control Activities	Internal Controls failed tests of design, were not implemented as designed, and failed tests of operating effectiveness.
Key Supporting Documentation	Supporting documentation provided to the IPA did not support attributes of recorded transactions selected.
Assertion Package Documentation	FIAR Guidance required work products were either not provided to the IPA or the documentation provided was inconsistent.
Audit Response Infrastructure	Documentation was not submitted to the IPA timely.
IT Controls	Financial systems and supporting infrastructure did not have adequate general IT controls, interface controls, or application-level controls.
Service Provider Reports	Some SSAE No. 16 examination reports were not be provided to the IPA.
Complementary User Entity Controls related to Service Provider Processes	Some required service provider complementary user entity controls were not implemented.

Tier 4 – DoD-Designated Self-Assessments

Defense Agencies and funds not included in the other ODO categories are conducting self-assessments. Together these ODOs account for less than 1 percent of the Department’s budgetary resources. These ODOs will continue audit readiness work and strengthen internal controls, but will only be audited as part of the FY 2018 DoD Consolidated Financial Statements audit.

This approach ensures all ODOs are audit ready when the Department begins the audit of the FY 2018 DoD Consolidated Financial Statements. The strategy also allows for growing an effective ODO audit support infrastructure as the Department progresses to full financial statement audit readiness.

The Tier 4 ODOs are:

- Burden Sharing Account by Foreign Allies, Defense
- Business Transformation Agency (BFY 2012/2013 funds)
- Defense Acquisition University (DAU)
- Defense Cooperation Account
- Defense Finance and Accounting Service, General Fund
- Defense Gift Fund
- Defense Human Resources Activity (DHRA)
- Defense Media Activity
- Defense Micro Electronics Agency
- Defense POW/MIA Accounting Agency
- Defense Technical Information Center (DTIC)
- Defense Technology Security Administration

- Defense Security Service (DSS)
- Director, Office of Operational Test and Evaluation
- Defense Support for U.S. Relocation to Guam Activities
- DoD Education Benefits Fund
- DoD Office of Inspector General (DoD OIG)
- Emergency Response Fund, Defense
- Homeowners Assistance Fund, Defense
- Host Nation Support for U.S. Relocation Activities, Defense
- Military Housing Privatization Initiative
- National Security Education Trust Fund
- Office of Economic Adjustment (OEA)
- Other TI-97 funds provided to the Navy by the Office of the Secretary of Defense
- Other TI-97 funds provided to the Air Force by the Office of the Secretary of Defense
- Voluntary Separation Incentive Trust Fund

AUDIT READINESS ACCOMPLISHMENTS

Since the November 2015 report, the Tier 4 entities achieved the following audit readiness accomplishments:

- DAU, DMEA, and DSS completed the initial phases of migration to Treasury’s IPP. IPP enables the Department to remediate its intra-governmental eliminations and unsupported transactions material weakness.
- DAU, DoD OIG, DTIC, and OEA are actively engaged in internal control testing of Civilian Pay, Contract Pay, Vendor Pay, and Reimbursable Work Orders.

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- DHRA drafted and began implementation of corrective actions for Negative Payables and Trading Partner Numbers.
- DHRA drafted and began implementation of corrective actions for Property, Plant, and Equipment. DHRA held a kick-off meeting for a working group to address property accountability deficiencies and weaknesses.
- DHRA completed feeder system reconciliations for FY 2015 and established a process to receive and review DFAS feeder system reconciliations.
- DHRA developed agency-wide FIAR training, and two sessions were conducted in March 2016. The training sessions are designed to educate, garner support, and increase participation and acceptance of FIAR requirements.
- DHRA is working to establish MOUs with DFAS to establish a review and approval process for journal vouchers and to establish oversight and accountability of DFAS journal vouchers.
- DSS is developing supporting documentation repositories to retain documents and make them readily available during audits.
- DSS is conducting an internal mock audit of its financial statements to ascertain its audit readiness.

TIER 3 AND 4 CRITICAL CAPABILITIES

Tiers 3 and 4 are focused on high-risk areas and critical capabilities identified by the Department. The critical capabilities include:

- Universe of Transactions
- Fund Balance with Treasury
- Journal Vouchers
- Existence, Completeness, and Rights and Obligations of Assets
- Valuation of Assets
- Environmental and Disposal Liabilities
- IT Controls

Figure V-12 provides the completion dates for each critical capability. Following Figure V-12 are charts for each critical capability containing the dates for achieving the capability, accomplishments, and challenges. Figure V-13 provides information on systems material to audit readiness.

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Figure V-12. Tier 3 and Tier 4 Entities' Audit Readiness Critical Capabilities

Critical Capability		Implementation/ Remediation Complete	Validation Complete
Universe of Transactions	Statement of Budgetary Resources	09/2017	12/2017
	Balance Sheet	09/2017	12/2017
Fund Balance with Treasury		06/2017	09/2017
Journal Vouchers		03/2017	06/2017
Existence, Completeness, and Rights and Obligations of Assets/Valuation of Assets	Real Property (including Construction in Progress)	12/2016	03/2017
	General Equipment (including Military Equipment)	12/2016	03/2017
	Internal Use Software	12/2016	03/2017
	Inventory and Related Property	12/2016	03/2017
Environmental Liabilities		12/2016	03/2017
IT Controls		09/2017	12/2017

Tier 3 and Tier 4 Entities – Universe of Transactions Statement of Budgetary Resources (General Fund)

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	09/2017

Accomplishments

- Received approval to proceed with alternative technical solution, and a pilot program is being tested at USSOCOM.
- Pilot technical and functional requirements approved.

Challenges

- Timely implementation after the USSOCOM pilot program completion.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	09/2017

Accomplishments

- Defined new approach for feeder system transaction reconciliation, which is being tested in a USSOCOM pilot program.

Challenges

- Timely implementation after timely USSOCOM pilot program completion.

Tier 3 and Tier 4 Entities – Universe of Transactions Balance Sheet

Critical Capability	Completion
A) Able to produce population of transaction details, including sensitive activities, reconciled to each financial statement line item and accounting system.	09/2017

Accomplishments

- Received approval to proceed with alternative technical solution, and a pilot program is being tested at USSOCOM.
- Pilot technical and functional requirements approved.

Challenges

- Timely implementation after the USSOCOM pilot program completion.

Critical Capability	Completion
B) Able to reconcile population of transaction details to feeder, source, and originating systems.	09/2017

Accomplishments

- Defined new approach for feeder system transaction reconciliation, which is being tested in a USSOCOM pilot program.

Challenges

- Timely implementation after the USSOCOM pilot program completion.

Tier 3 and Tier 4 Entities – Fund Balance with Treasury

Critical Capability	Completion
A) Process and tools to identify, age, and resolve differences between the general ledgers (proprietary and budgetary) and Treasury (at voucher-level).	09/2017
Interim Milestones	
OUSD(C) issues DoD Financial Management Regulations update to Volume 4, Chapter 2 to further define Fund Balance with Treasury reconciliation requirements.	✓
DFAS asserts audit readiness for DCAS SSAE No. 16. examination.	✓
DFAS asserts audit readiness for DRRT SSAE No. 16. examination.	09/2016
OUSD(C) and DFAS develop standard process for DCAS daily reconciliations and reporting.	06/2017
DFAS implements DRRT Increment 3+.	09/2017
OUSD(C) and DFAS implement GEX/ SLOA Centralized Service, which allows generating and passing standardized data between systems and validating lines of accounting prior to processing transactions.	09/2017

Accomplishments

- OUSD(C) updated the DoD Financial Management Regulation, defining the requirements for performing Fund Balance with Treasury reconciliations.
- The DFAS conducted internal discussions to ensure adequate controls over completeness, accuracy, timeliness, and consistency in cross-walking financial data to federally funded limits.
- DFAS identified root causes for variances between the Cash

Critical Capability	Completion
B) Process and tools to identify, age, and resolve transactions posted to budget clearing accounts within 60 days (“suspense” accounts).	09/2016
Interim Milestones	
DFAS develops and implements standardized controls for Suspense Accounts.	✓
DFAS submits Revenue Account white paper to OUSD(C) Program Budget for approval.	06/2016
OUSD(C) Program Budget submits Revenue Account white paper to OMB and Treasury.	07/2016
DFAS implements new Revenue Accounts.	09/2016

Accomplishments

- DFAS identified and resolved TI-97 suspense transactions over 60 days old.
- DFAS discontinued the use of the Intra-Government Payment and Collection (IPAC) journal voucher to represent suspense account balances on the financial statements.

Challenges

- DFAS is working with Treasury to establish accounts for revenue certain transactions that had formerly been posted to suspense accounts. Delay in establishing the accounts will delay full resolution of audit findings.
- Treasury, OUSD(C), and DFAS working group established to analyze options and recommend an optimum solution, and until schedule is developed implementation cannot begin.

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Management Report and Treasury balances. DFAS is partnering with the OUSD(C) to automate identification of variances to enable timely resolution and increase the accuracy of financial statements.

- DFAS partnered with WHS to resolve variances in WHS's Treasury reporting and Cash Management Report balances. Processes are now implemented to ensure variances are eliminated.
- DFAS developed and implemented Cash Management Report Audit Workbooks to provide ODO-specific information for amounts presented on the financial statements at a consolidated level.

Challenges

- Fund Balance with Treasury reconciliations for TI-97 are complicated because Treasury issues funding and provides reports at the Treasury Account Symbol (or appropriation) level, which does not provide detail activity information at the reporting entity level.
- DFAS tools for Cash Management Report reconciliation to Treasury are constrained by limitations of sensitive activities.

Tier 3 and Tier 4 Entities – Fund Balance with Treasury

Critical Capability	Completion
C) Process and tools to identify, age, and resolve transactions reported on Treasury's statements of differences within 30 days.	05/2017
Interim Milestones	
DFAS implements standard processes for Deposits in Transits Statement of Differences.	07/2016
DFAS implements standard processes for Check Issue Statement of Differences.	12/2016
DFAS implements standard processes for IPAC Statement of Differences.	03/2017
DFAS validates controls for standard processes.	05/2017

Accomplishments

- DFAS identified the team members and began the analysis of the difference experienced across the sites.

Challenges

- Developing an effective means to address the majority of the Statement of Differences related to process timing issues is proving to be difficult.

Critical Capability	Completion
D) Perform aging analysis and apply reconciliations backwards to any years possible.	06/2017
Interim Milestones	
OUSD(C) issues DoD Financial Management Regulations, Volume 4, Chapter 2, Annex to provide guidance on establishing an auditable beginning balance.	✓
DFAS completes aging analysis.	09/2016
DFAS assesses ability to perform monthly reconciliations and support balances.	04/2017
DFAS performs monthly reconciliations and test supporting documentation for prior years.	06/2017

Accomplishments

- OUSD(C) updated the DoD Financial Management Regulations, providing guidance on establishing an auditable beginning balance.

Challenges

- Lack of supporting documentation needed for aged balances.

Tier 3 and Tier 4 Entities – Journal Vouchers

Critical Capability	Completion
Elimination Entries – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements related to intra-component and intra-departmental elimination entries.	03/2017
Interim Milestones	
Submit FY 2017 and FY 2018 estimated costs for systems requirements.	✓
Build GT&Cs in IPP, participate in IPP training, build IGT orders with applicable trading partner data elements.	06/2016
Execute 75% of Reimbursable Authority in IPP (GTC only); submit trading partner data on 25% of federal accounts payables records.	09/2016
Submit trading partner data on 50% of federal Accounts Payable records.	12/2016
Execute 100% of Reimbursable Authority in IPP (GT&C only); submit trading partner data on 100% of federal accounts payable records.	03/2017

Accomplishments

- Published the DoD Intragovernmental Data Standard.
- Created initial draft of a new DoD Instruction to define target process for eliminations.

Challenges

- Awaiting Treasury approval of data standards, subsequent update of the Treasury Financial Manual, and system changes to IPP to align to the target process and data standard.

Critical Capability	Completion
All Other Journal Vouchers – Eliminate or support material journal vouchers and other adjustments made to financial transactions, trial balances, and financial statements for all other journal vouchers.	03/2017
Interim Milestones	
OUSD(C) and DFAS perform root cause analysis on DDRS journal vouchers.	06/2016
OUSD(C) and DFAS develop corrective actions for DDRS journal vouchers.	06/2016
Tier 3 and Tier 4 Entities, OUSD(C), system owners, DFAS Implement corrective actions for DDRS journal vouchers.	03/2017

Accomplishments

- DFAS developed and delivered journal voucher training to over 2,300 individuals on communicating concepts, proper steps, and documentation to prepare supportable and auditable journal vouchers.
- DFAS developed and implemented a journal voucher catalog and checklist to identify and standardize supporting documentation. The interactive form identifies required supporting documents by journal voucher type. The form was deployed at each DFAS site in January 2016.
- DFAS improved processes for journal voucher review and approval by the reporting entities. The processes are documented through MOUs signed with each reporting entity in 2015 and early 2016.
- DFAS established a working group responsible for identifying root causes and developing improvement plans for journal vouchers produced in financial reporting systems. The group is analyzing

key attributes vital to the development of improvement plans aimed at reducing the number of journal vouchers.

Challenges

- DFAS and OUSD(C) cannot readily implement corrective actions due coordination with system owners to ensure required SCRs are developed and implemented to remediate failed tie points and other system limitation issues.
- DFAS and reporting entities must coordinate with other DoD stakeholders to receive financial information in a timely manner and record financial data and accounting transactions in accounting systems.
- DFAS and reporting entities must fully implement and execute solutions to support both manual and system generated journal vouchers.
- Reporting entities are reliant on legacy accounting and feeder systems that are difficult to replace or phase out because of wide use. It will be prohibitively expensive and time consuming to convert from legacy systems to ERPs and non-legacy feeder systems by 2017.

Tier 3 and Tier 4 Entities – Existence and Completeness/Valuation of Assets Real Property, Including Construction-in-Progress (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2016
Interim Milestones	
Perform prioritization analysis.	✓
Perform testing.	✓
Implement corrective actions.	09/2016
B) Establish auditable go-forward existence and completeness processes.	12/2016
Interim Milestones	
Develop to-be process documentation.	✓
Perform internal control and IT testing.	07/2016
Implement corrective actions.	12/2016

Accomplishments

- Analyzed Real Property listings and prioritized asset classes based on materiality.
- Conducted baseline existence and completeness testing.
- Documented process weaknesses and began development of corrective actions.

Challenges

- Auditability of recorded Real Property assets is reliant on having an asset listing that is validated as complete and accurate.
- Complete Construction in Progress records are not readily available for testing.

Critical Capability	Completion
A) Establish an auditable valuation baseline.	12/2016
Interim Milestones	
Establish and document baseline valuation methodology.	✓
Perform valuation baseline testing.	08/2016
Implement corrective actions.	12/2016
Critical Capability	Completion
B) Establish an auditable valuation process for go-forward activity.	12/2016
Interim Milestones	
Complete to-be process documentation.	✓
Perform process internal control testing.	07/2016
Implement corrective actions.	12/2016

Accomplishments

- Plant Replacement Value has been established as the baseline valuation methodology.
- An achievable plan has been established for land and land rights opening balances.

Challenges

- Plant Replacement Value model that will be used as a valuation baseline needs to be clearly documented and the results validated to support the recorded values.
- System functionality and IT controls hamper go-forward audit readiness efforts.

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- Certain assets are sensitive and gaining access to them to perform required procedures is a challenge.
- Completeness is difficult for Defense Agencies with geographically dispersed portfolios.

Tier 3 and Tier 4 Entities – Existence and Completeness/Valuation of Assets General Equipment, Including Military Equipment (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	09/2016
Interim Milestones	
Perform prioritization analysis.	✓
Perform testing.	✓
Implement corrective actions.	09/2016
Critical Capability	Completion
B) Establish auditable go-forward existence and completeness processes.	12/2016
Interim Milestones	
Develop to-be process documentation.	✓
Perform internal control and IT testing.	07/2016
Implement corrective actions.	12/2016

Accomplishments

- Analyzed General Equipment listings and prioritized asset classes based on materiality.
- Conducted baseline existence and completeness testing.

Challenges

- Auditability of recorded General Equipment assets is reliant on having an asset listing that is validated as complete and accurate.
- Accessing sensitive assets is a challenge.
- Visibility over government furnished equipment and contractor acquired government property is difficult.

Critical Capability	Completion
A) Establish an auditable valuation baseline.	12/2016
Interim Milestones	
Establish and document baseline valuation methodology.	✓
Perform valuation baseline testing.	08/2016
Implement corrective actions.	12/2016
Critical Capability	Completion
B) Establish an auditable valuation process for go-forward activity.	12/2016
Interim Milestones	
Complete to-be process documentation.	✓
Perform process internal control testing.	07/2016
Implement corrective actions.	12/2016

Accomplishments

- Established an approved approach for the valuation of equipment opening balances.
- Implemented change to contract line item number structures to facilitate more accurate go-forward valuation.

Challenges

- Construction in Progress for equipment requires availability of direct and indirect costs and the ability to allocate them to end items in a timely manner.
- Implementing the go-forward valuation approach will require the ability to accurately capture actual program costs.

Tier 3 and Tier 4 Entities – Existence and Completeness/Valuation of Assets Internal Use Software (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	12/2016
Interim Milestones	
Determine Internal Use Software opening balance option.	✓
Critical Capability	Completion
B) Establish auditable go-forward existence and completeness processes.	12/2016
Interim Milestones	
Develop to-be process documentation.	✓
Perform internal control and IT testing.	07/2016
Implement corrective actions.	12/2016

Accomplishments

- ODOs will be able report Internal Use Software at zero value for opening balances, eliminating the need to establish existence and completeness for opening balances.
- Drafted Internal Use Software accountability memorandum that will support Internal Use Software accounting.

Challenges

- ODOs will have to write down Internal Use Software to zero value without impacting working capital fund rates or current accountable property system of record functionality.

Critical Capability	Completion
A) Establish an auditable valuation baseline.	12/2016
Interim Milestones	
Write off unsupported Internal Use Software balances.	06/2016
Critical Capability	Completion
B) Establish an auditable valuation process for go-forward activity.	12/2016
Interim Milestones	
Complete to-be process documentation.	✓
Perform process internal control testing.	07/2016
Implement corrective actions.	12/2016

Accomplishments

- Established policy that allows for a zero value opening balance.
- Internal Use Software reporting structure and responsibilities were established.
- Developed a draft go-forward Internal Use Software valuation strategy.

Challenges

- The software universe is complex and some Internal Use Software is used by multiple Components.
- Enterprise licenses are individually negotiated, complicating the application of Internal Use Software policy.

Tier 3 and Tier 4 Entities – Existence and Completeness/Valuation of Assets Inventory and Related Property (General Fund)

Critical Capability	Completion
A) Establish an auditable existence and completeness baseline.	12/2016
Interim Milestones	
Perform prioritization analysis.	✓
Perform testing.	✓
Implement corrective actions.	09/2016
Critical Capability	Completion
B) Establish auditable go-forward existence and completeness processes.	12/2016
Interim Milestones	
Develop to-be process documentation.	✓
Perform internal control and IT testing.	07/2016
Implement corrective actions.	12/2016

Accomplishments

- Analyzed Inventory and Related Property listings and prioritized asset classes based on relative materiality.
- Conducted baseline existence and completeness testing.

Challenges

- Auditability of recorded Inventory and Related Property is reliant on an asset listing that is validated as complete and accurate.
- Accessing sensitive assets is a challenge.
- Visibility over government furnished material and contractor acquired government property is difficult.

Critical Capability	Completion
A) Establish an auditable valuation baseline.	12/2016
Interim Milestones	
Establish and document baseline valuation methodology.	✓
Perform valuation baseline testing.	08/2016
Implement corrective actions.	12/2016
Critical Capability	Completion
B) Establish an auditable valuation process for go-forward activity.	12/2016
Interim Milestones	
Complete to-be process documentation.	✓
Perform process internal control testing.	07/2016
Implement corrective actions.	12/2016

Accomplishments

- Established an approach for the valuation of Inventory and Related Property for opening balances.
- Established a GAAP-compliant process for transferring initial spares.

Challenges

- Complex systems that become components of larger systems are difficult to differentiate between equipment and OM&S.
- Accurately reporting OM&S balances requires manual efforts.

Tier 3 and Tier 4 Entities – Environmental Liabilities (General Fund)

Critical Capability	Completion
Establish existence and completeness of Environmental and Disposal Liabilities.	✓
Interim Milestones	
Identify high risk Environmental and Disposal Liabilities categories.	✓
Perform testing.	✓
Implement corrective actions.	✓

Accomplishments

- Analyzed property records to identify and prioritize Environmental and Disposal Liabilities types by Component.
- Established a completeness methodology for all relevant Environmental and Disposal Liabilities categories that comply with accounting standards.
- Initiated Test of Design reviews over Environmental and Disposal Liabilities process documentation.

Challenges

- None

Critical Capability	Completion
Valuation of Environmental and Disposal Liabilities	12/2016
Interim Milestones	
Establish Environmental and Disposal Liabilities estimation methodology and approach required for each Environmental and Disposal Liability type (e.g., asbestos, equipment disposal, real property closure requirements).	06/2016
Perform testing to validate estimation methodology	09/2016
Establish sustainment approach for updating cost estimates on an annual basis.	12/2016

Accomplishments

- None

Challenges

- Developing accurate and auditable cost estimates for Environmental and Disposal Liabilities relies on the completeness and accuracy of Real Property and General Equipment asset records.
- The accuracy and auditability of cost estimates for Environmental and Disposal Liabilities is impacted by the structure and availability of itemized cost detail outlined in construction and demolition contract data.

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Figure V-13. Systems Material to Tier 3 and Tier 4 ODO Audit Readiness (✓ = Completed)

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		ODO	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Statement of Budgetary Resources – ODO Systems									
DAPS	Civilian Pay	DoDEA	DoDEA	3/2017	04/2017	03/2017	04/2017	04/2017	05/2017
DoDEA Tigris Server	Vendor Pay; Civilian Pay	DoDEA	DoDEA	3/2017	04/2017	03/2017	04/2017	04/2017	05/2017
EBAS-D	General Ledger (Multiple)	WHS	AAG	✓	✓	✓	✓	✓	12/2016
EBAS-JCS	Civilian Pay, Contractual Services & Acquisition of Assets; Reimbursable Work Orders (Acceptor/Grantor); Transportation of People; Fund Balance with Treasury; Financial Reporting	TJS	DISA	06/2016	09/2016	✓	✓	06/2016	09/2016
NDSP WW	Vendor Pay	DoDEA	DoDEA	03/2017	04/2017	03/2017	04/2017	04/2017	05/2017
SPS/PD2	Contractual Services & Acquisition of Assets	DARPA	DARPA	06/2017	09/2017	06/2017	09/2017	N/A	N/A
SPS/PD2	Contractual Services & Acquisition of Assets	DoDEA	DoDEA	04/2017	05/2017	04/2017	05/2017	N/A	N/A
SPS/PD2	Contractual Services & Acquisition of Assets	DTRA	DTRA	07/2016	09/2016	07/2016	09/2016	07/2016	09/2016
SPS/PD2	Contractual Services & Acquisition of Assets	WHS	WHS	06/2016	09/2016	06/2016	09/2016	06/2016	09/2016
Balance Sheet – ODO Systems									
DAPS	Civilian Pay	DoDEA	DoDEA	03/2017	04/2017	03/2017	04/2017	04/2017	05/2017
DoDEA Tigris Server	Vendor Pay; Civilian Pay	DoDEA	DoDEA	03/2017	04/2017	03/2017	04/2017	04/2017	05/2017
NDSP WW	Vendor Pay	DoDEA	DoDEA	03/2017	04/2017	03/2017	04/2017	04/2017	05/2017
SPS/PD2	Contractual Services & Acquisition of Assets	DTRA	DTRA	07/2016	09/2016	07/2016	09/2016	07/2016	09/2016
Statement of Budgetary Resources – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Civilian Pay Disbursing; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
	Disbursing; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016

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System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		ODO	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
ADS IPAC Wizard	Reimbursable Work Orders (Acceptor/Grantor); Fund Balance with Treasury; Disbursing; Financial Reporting; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	06/2016	09/2016
ATAAPS	Civilian Pay	DISA	DISA	✓	✓	✓	✓	06/2016	09/2016
BAM ERMP	Contract & Vendor Pay Improper Payments for: One Pay; CAPSW; IAPS; EBS & MOCAS; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	06/2016	09/2016
BEIS-DDRS-AFS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
BEIS-DDRS-B	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
BEIS-DDRS-DCM	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
DAI	Civilian Pay; Contractual Services & Acquisition of Assets; Reimbursable Work Orders (Acceptor/Grantor); Transportation of People; Fund Balance with Treasury; Financial Reporting	DLA	DISA	✓	✓	✓	✓	✓	✓
DAAS/GEX	Civilian Pay; Vendor Pay; Contract Pay Reimbursable Work Orders (Acceptor/Grantor)	DLA	DLA	✓	✓	✓	✓	06/2016	09/2016
DCPDS	Civilian Pay	DCPAS	Commercial Vendor	✓	✓	✓	✓	06/2016	09/2016
DCPS	Civilian Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	07/2016	09/2016
DPAS	Existence and Completeness – Military / Other Equipment	OUSD(AT&L)	DISA	✓	✓	✓	✓	07/2016	09/2016
DTS	Vendor Pay	DMDC	Commercial Vendor	✓	✓	✓	✓	06/2016	09/2016
EAS	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		ODO	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
eTOOLS (MOCAS MCC; MDO)	Contracts (Major); Contractual Services & Acquisition of Assets	DCMA	DISA	✓	✓	✓	✓	06/2016	09/2016
EUD (APVM/PPVM)	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
iRAPT	Contract Pay; Reimbursable Work Orders - Grantor; Vendor Pay	DLA	DISA	✓	✓	✓	✓	06/2016	09/2016
MOCAS (includes DFAS MOCAS and DCMA eTools)	Contractual Services & Acquisition of Assets	DCMA	DISA	✓	✓	✓	✓	06/2016	09/2016
		DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
SCRT	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
Syncada	Contractual Services & Acquisition of Assets	Commercial Vendor	Commercial Vendor	✓	✓	✓	✓	06/2016	09/2016
Statement of Budgetary Resources – Service Provider Systems (Non-SSAE No. 16 Examinations)									
BEIS-DCAS	Contractual Services & Acquisition of Assets; Civilian Pay; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
CAPS-W	Accounts Payable; Vendor Pay	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017
CDS	Net Outlays; Contractual Services & Acquisition of Assets; Transportation of People	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
CDS: ADS-3801 includes DTS payments	Net Outlays; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
BEIS: DCD/DCW	Management Decision Support; multiple assessable units, including Balance Sheet	DFAS	DISA	06/2017	09/2017	✓	✓	01/2017	04/2017
DBMS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
DDARS	Defense Disbursing Analysis System	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		ODO	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
DRRT	Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017
DTS	Contractual Services & Acquisition of Assets; Transportation of People	DMDC	Commercial Vendor	✓	✓	✓	✓	01/2017	04/2017
EDA	Procure to Pay	DLA	DISA	✓	✓	✓	✓	01/2017	04/2017
EDM	Vendor Pay; Contract Pay	DLA	DISA	01/2017	04/2017	01/2017	04/2017	01/2017	04/2017
GAFS (DTS)	Transportation of People; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
EFD	Funds Receipt and Distribution Management	DLA	DISA	✓	✓	✓	✓	01/2017	04/2017
HQARS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
IAPS	Vendor Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
IATS	Contractual Services & Acquisition of Assets; Transportation of People; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017
ODS	(ALL) Contractual Services & Acquisition of Assets; Civilian Pay; Financial Reporting; Fund Balance with Treasury; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
One Pay	Military Standard Requisition Issue Procedure; Permanent Change of Station; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
PBAS-FD	Funds Receipt and Distribution Management; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
SABRS	Statement of Budgetary Resources / Activity; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
SOMARDS	Financial Reporting / Multiple; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
STANFINS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		ODO	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
STARS FL	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Funds Receipt and Disbursement; Financial Statement Compilation and Reporting; Military Standard Requisition Issue Procedure; Military Pay; Permanent Change of Station; Reimbursable Work Orders; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
Statement of Budgetary Resources – Other System Owners									
ABSS	Vendor Pay; Large Contracts; Reimbursement Budget Authority and Execution	Air Force	Air Force	06/2017	09/2017	✓	✓	06/2017	09/2017
ACPS	Contracts (Major)	Air Force	Air Force	✓	✓	✓	✓	06/2017	09/2017
AFM	Reimbursement Budget Authority and Execution; Funds Distribution to Base	Air Force	Air Force	✓	✓	✓	✓	06/2017	09/2017
CCaRS	BPC Reimbursable Work Orders - Grantor; Contract Vendor Pay; Travel; Balance Sheet	Air Force	Army	✓	09/2016	06/2017	09/2017	06/2017	09/2017
CEFMS	USACE Civil Works / Army Military Construction	Army	Army	✓	N/A	✓	✓	06/2017	09/2017
CFMS-CNIC	Contract Vendor Pay; Financial Statement Compilation and Reporting; Funds Receipt and Disbursement; Military Standard Requisition Issue Procedure; Reimbursable Work Orders	Navy	Navy	✓	✓	✓	✓	06/2017	09/2017
Conwrite	Contracts (Major)	Air Force	Air Force	✓	✓	✓	✓	06/2017	09/2017
CRIS	All	Air Force	DISA	✓	✓	✓	✓	06/2017	09/2017
DEAMS	All	Air Force	Air Force	✓	✓	✓	✓	06/2017	09/2017
FASTDATA	Contractual Services & Acquisition of Assets	Navy	Navy	✓	✓	✓	✓	06/2017	09/2017

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		ODO	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
GCSS-Army	Supplies(MILSTRIP); Fund Balance with Treasury; Reimbursables; Appropriations Received; Other Budget Activity; Financial Reporting; Inventory	Army	Army	03/2017	09/2017	03/2017	09/2017	06/2017	09/2017
GCSS-MC	Operating Materials and Supplies; Military Equipment	USMC	DISA	✓	✓	✓	✓	06/2017	09/2017
GFEBs	B2R: Appropriations Received; Contract Pay; B2R: Fund Balance with Treasury; B2R: Financial Reporting Reimbursable Work Orders (Acceptor/Grantor); Vendor Pay	Army	Army	✓	✓	✓	✓	06/2017	09/2017
LMP	Contractual Services & Acquisition of Assets; Reimbursable Work Orders - Acceptor	Army	Army	✓	✓	✓	✓	06/2017	09/2017
Navy - ERP	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Financial Statement Compilation and Reporting; Funds Receipt and Disbursement; Military Standard Requisition Issue Procedure; Reimbursable Work Orders; Transportation of Things; Transportation of People	Navy	Navy	✓	12/2017	✓	✓	06/2017	09/2017
SPS/PD2	Contractual Services & Acquisition of Assets	Navy	Navy	✓	✓	✓	✓	06/2017	9/2017
SPS/PD2	Contractual Services & Acquisition of Assets	Air Force	Air Force	✓	✓	✓	✓	06/2017	9/2017
PR Builder	Contract and Vendor Pay; Reimbursable Work Order	USMC	USMC	✓	09/2016	N/A	N/A	06/2017	09/2017
RTS	Travel Pay TDY; Civilian PCS	Air Force	Air Force	✓	✓	✓	✓	06/2017	09/2017
Seaport-e	Procurement	NAVSEA	Navy	✓	✓	✓	✓	06/2017	9/2017
SLDCADA	Civilian Pay	Navy	Navy	✓	06/2016	✓	✓	06/2017	09/2017
Mission-Critical Assets Existence and Completeness – Service Provider Systems (SSAE No. 16 Examinations)									
DPAS	Acquisition of Assets	OUUSD(AT&L)	DISA	✓	✓	✓	✓	06/2016	09/2016

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		ODO	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Mission-Critical Assets Existence and Completeness – Other System Owners									
IWIMS	Real Property	Air Force	DISA	✓	03/2017	✓	✓	06/2017	09/2017
Navy ERP	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Financial Statement Compilation and Reporting; Funds Receipt and Disbursement; Military Standard Requisition Issue Procedure; Reimbursable Work Orders; Transportation of Things; Transportation of People	Navy	Navy	✓	12/2017	✓	✓	06/2017	09/2017
Balance Sheet – Service Provider Systems (SSAE No. 16 Examinations)									
ADS	Disbursing; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
ADS IPAC Wizard (new system environment)	Reimbursable Work Orders (Acceptor/Grantor); Fund Balance with Treasury; Disbursing; Financial Reporting; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	06/2016	09/2016
BAM ERMP	Contract & Vendor Pay Improper Payments for: One Pay; CAPSW; IAPS; EBS & MOCAS; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	06/2016	09/2016
BEIS-DDRS-AFS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
BEIS-DDRS-B	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
BEIS-DDRS-DCM	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
DAI	Financial Reporting; Balance Sheet	DLA	DLA	✓	✓	✓	✓	06/2016	09/2016
DCPDS	Civilian Pay	DCPAS	Commercial Vendor	✓	✓	✓	✓	07/2016	09/2016
DCPS	Civilian Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	07/2016	09/2016
DTS	Contractual Services & Acquisition of Assets; Transportation of People	DMDC	Commercial Vendor	✓	✓	✓	✓	06/2016	09/2016
EAS	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		ODO	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
EUD (APVM/PPVM)	Contractual Services & Acquisition of Assets; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
GEX	Contractual Services & Acquisition of Assets; Civilian Pay; Reimbursable Work Orders (Acceptor/Grantor); Transportation of People; Financial Reporting	DLA	DLA	✓	✓	✓	✓	06/2016	09/2016
iRAPT	Contractual Services & Acquisition of Assets	DLA	DISA	✓	✓	✓	✓	06/2016	09/2016
MOCAS	Contracts (Major) Contractual Services & Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
SCRT	Contracts (Major) - Contractual Services & Acquisition of Assets	DFAS	DISA	✓	✓	✓	✓	06/2016	09/2016
Syncada	Contractual Services & Acquisition of Assets	Commercial Vendor	Commercial Vendor	✓	✓	✓	✓	06/2016	09/2016
Balance Sheet – Service Provider Systems (Non-SSAE No. 16 Examinations)									
BEIS-DCAS	Contractual Services & Acquisition of Assets; Civilian Pay; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
CAPS-W	Accounts Payable; Vendor Pay	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017
CDS	Net Outlays; Contractual Services & Acquisition of Assets; Transportation of People	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
CDS: ADS-3801 includes DTS payments	Net Outlays; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
BEIS: DCD/DCW	Management Decision Support; Multiple Assessable Units to include Balance Sheet	DFAS	DISA	06/2017	09/2017	✓	✓	01/2017	04/2017
DBMS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
DDARS	CP; Fund Balance with Treasury; Vendor Pay; Reimbursable Work Orders (Acceptor/Grantor); Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		ODO	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
DRRT	Fund Balance with Treasury; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017
HQARS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
IAPS	Vendor Pay; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
IATS	Contractual Services & Acquisition of Assets; Transportation of People; Balance Sheet	DFAS	DFAS	✓	✓	✓	✓	01/2017	04/2017
ODS	(ALL) Contractual Services & Acquisition of Assets; Civilian Pay; Financial Reporting; Fund Balance with Treasury; Reimbursable Inbound; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
One Pay	Military Standard Requisition Issue Procedure; Permanent Change of Station; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
PBAS-FD	Funds Receipt and Distribution Management ; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
PBAS-OC	Funds Receipt and Distribution Management; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
SOMARDS	Financial Reporting / Multiple; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
STANFINS	Financial Reporting; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017
STARS FL	Civilian Pay; Contract Vendor Pay; Fund Balance with Treasury; Funds Receipt and Disbursement; Financial Statement Compilation and Reporting; Military Standard Requisition Issue Procedure; Military Pay; Permanent Change of Station; Reimbursable Work Orders; Transportation of People; Transportation of Things; Balance Sheet	DFAS	DISA	✓	✓	✓	✓	01/2017	04/2017

FIAR Plan Status Report

System	Assessable Unit	System Owner	Hosting Organization	Information Technology General and Application-Level Controls					
				System Owner		Hosting Organization		ODO	
				Tested	Corrected	Tested	Corrected	Tested	Corrected
Balance Sheet – Other System Owners									
CCaRS	BPC; Reimbursable Work Orders - Grantor; Contract Vendor Pay; Travel; Balance Sheet	Air Force	Army	✓	09/2016	06/2017	09/2017	06/2017	09/2017
CRIS	All	Air Force	DISA	✓	✓	✓	✓	06/2017	09/2017
DEAMS	All; Balance Sheet	Air Force	Air Force	✓	✓	✓	✓	06/2017	09/2017
FASTDATA	Contractual Services & Acquisition of Assets	Navy	Navy	✓	✓	✓	✓	06/2017	09/2017
GFEBs	Contractual Services & Acquisition of Assets	Army	Army	✓	✓	✓	✓	06/2017	09/2017
SLDCADA	Civilian Pay	Navy	Navy	✓	06/2016	✓	✓	06/2017	09/2017

ODO AUDIT READINESS RESOURCES

Despite challenging budget times, substantial resources have been programmed to support achieving auditable financial statements. The FIAR activities funded by the amounts in Figure V-14 include:

Audit Readiness, Validations, and Audits

- Completing evaluation, discovery, and corrective actions of the Components and their service providers (e.g., DFAS).
- Testing or verifying audit readiness after completing corrective actions and preparing management assertions.
- Supporting audit infrastructure to sustain audit readiness and to support IPA audits.

Financial Systems

- Designing, developing, and deploying audit-ready compliant systems as well as cost-effective changes to legacy systems that will be part of the systems environment.
- Converting and validating data, implementing and testing controls, and documenting systems and processes.

Because ERPs are being deployed to modernize functional as well as financial processes, ERP system deployment costs are not included in audit readiness resources. ERP costs are reported in Section VII, Enterprise Resource Planning Systems. Additionally, changes and improvements to functional and financial processes are continually being made for operational efficiencies and improving controls. The Department has not attempted to capture the costs of process changes made solely for audit readiness, and therefore, resources reported below may not fully capture process improvement costs.

Figure V-14. Other Defense Organizations Audit Readiness Resources (Dollars in Millions)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Audit Readiness, Validations, and Audits	103	135	163	157	156	158
Financial Systems	7	4	4	4	4	4
Total Resources	110	139	167	161	160	162

Message from the Defense Contract Management Agency

My message to the DCMA workforce as well as our customers has been consistent: our goal is a steady state of audit readiness. Rather than viewing FIAR as another initiative, we are promoting audit readiness related activities as routine—an everyday way of doing business. DCMA must be able to assure our customers that for the appropriated dollars they placed on contracts and delegated to us for oversight, we have effective internal controls in place to demonstrate good stewardship.

The importance of achieving this steady state is evident by its place as one of DCMA's four strategic goals. Although all goals are monitored by agency senior leaders, we instituted a senior-level governance board to provide direction and monitor progress. We have completed two examinations and are working toward our FY 2016 audit readiness assertion. We established milestones to meet the goal of completing an FY 2016 examination by July 2016, while maintaining our schedule to support the Department's goal of audit readiness by 2017. Throughout this timeframe we stand ready to support our customers in their internal control testing and examination requirements. Consistency in controls and customer service support is so important that we established a dedicated FIAR program team in DCMA for this purpose.

As a globally dispersed organization, accurate and timely communication to every level of the organization is a challenge. This is particularly important at our field-level contract management offices, since this is where the work is actually performed and internal controls applied. To reinforce our critical role we have instituted a robust training and communication program that includes: a periodic newsletter, video-taped messages from the agency Director/Deputy Director, a website with training modules and desk guides, regional Lessons Learned sessions, and a dedicated help-desk function.

DCMA recognizes that our success directly impacts our customers' success. We are: One team, one voice delivering global acquisition insight that matters. Audit readiness matters!



Wendy M. Masiello
Wendy M. Masiello, Lt. Gen., USAF
Director

Message from the Defense Finance and Accounting Service

The Defense Finance and Accounting Service (DFAS) is fully committed to achieving the Department's Financial Improvement and Audit Readiness (FIAR) plan. As a service provider, DFAS is responsible for audit readiness efforts surrounding our systems, data, processes, controls, and supporting documentation. We hold ourselves accountable to document our processes, test our controls, and remediate any issues. We recognize these items have a direct effect on our customers' auditability. It is critical we provide timely documentation, demonstrating that controls are properly designed, operating effectively, and properly account for transactions. Furthermore, we must do these things in coordination with our customers ensuring we incorporate the relationships of the end-to-end processes.



Since FY 2012, DFAS has achieved success through our Statements on Standards for Attestation Engagements (SSAE) No. 16. This past year we were successful in sustaining an unmodified opinion on the FY 2015 Civilian Pay, Disbursing and Contract Pay SSAE No. 16s. We achieved a modified opinion for the Military Pay SSAE No. 16 and saw the upgrade of our Financial Reporting SSAE No. 16 opinion to a modified opinion. We remain on track to close the outstanding findings relating to those examinations. In FY 2016 and FY 2017, we will continue to progress in our efforts as we execute our audit readiness strategy for the Fourth Estate. We will also expand our SSAE16s to include DFAS Vendor Pay Service and Fund Balance with Treasury processes. We will work to achieve and sustain the SSAE 16 unmodified opinions, and we will continue to conduct self-reviews on our processes and systems in accordance with our Managers' Internal Control Program.

This is an historic time for the Department with the Military Services being under audit. We recognize DFAS plays an integral role as a financial service provider in our customers' and the Department's audit success. As we move from a state of audit readiness to one of audit steadiness, DFAS will continue to use a framework of effective business management, effective internal controls, and sufficient, accessible, and current documentation. We are committed to open communication with the auditors. We are proactively addressing audit findings as we continue to provide the same world-class pay, accounting, and reporting services our customers deserve!


Teresa A. McKay
Director

Message from the Defense Information Systems Agency

DISA fully supports the Department's goal to achieve auditable financial statements by September 30, 2017. DISA, as a Service Provider, demonstrates this commitment through annual examinations by independent public auditors. For the fourth consecutive year, DISA received a clean opinion on the Hosting Services platform. The Agency continually works to improve processes, enhance controls, and validate information. In FY 2015, DISA increased the examination scope to include the Montgomery Data Center and database controls. Additionally, DISA undertook an independent application examination of the Automated Time and Attendance Production System.

DISA hosts more than 100 financial systems throughout the Department of Defense. Our clean opinion provides our Mission Partners and their auditor the confidence that they can rely on the automated controls and documentation within these applications. Similar to other organizations, DISA experienced many challenges this year that impacted audit readiness, including new business. At DISA, audit is an enterprise-wide endeavor. The entire DISA workforce actively embraced these challenges and helped to sustain our audit readiness posture. A contract was recently awarded to an IPA to begin a full financial audit of our FY 2016 Working Capital Fund and General Fund financial statements.




LTG Alan R. Lynn
Director

Message from the Defense Logistics Agency

The Defense Logistics Agency (DLA) plays a major role as a Service Provider to the Department. Improvements we've made to our internal processes and procedures in preparation for our General Fund, Working Capital Fund, and Strategic Materials financial statement audits have directly supported our Service Provider roles and responsibilities.

The three Department of Defense (DOD)-wide business systems that DLA owns are currently undergoing annual Statements on Standards for Attestation Engagements Number 16 (SSAE No. 16) examinations by Independent Public Accountants (IPAs). DOD agencies must rely upon these systems to pass their own financial statement audits. DLA remediated last year's SSAE No. 16 findings and continues to monitor and sustain our enterprise-wide control policies and procedures. Our customers and their auditors can rely on DLA systems to provide accurate, timely, and secure information.

The Military Services depend on the processes and procedures at various DLA depots for the receiving, storing, and issuing of Military Service-owned items in DLA custody. Following discussions with the Military Services on the scope and required Complementary User Entity Controls, DLA is now undergoing this area's first SSAE No. 16 examination. As the examination progresses, DLA will provide updates to the Military Services and discuss the results in depth. To further support the Military Services' financial statement audits, DLA is preparing for an Attestation Engagement of the Military Service-owned items reported quantity balances.

As a Service Provider to the Department's Fourth Estate agencies, DLA is responsible for the employee record set-up and maintenance of 45,000 civilian employees. We are working closely with these agencies and responding to all audit-related requests in a timely manner.

In supporting the Department in these critical financial statement audit roles, we will correct any IPA-identified findings, updating processes and procedures as needed. DLA's commitment to sustaining auditability and supporting all DOD financial statement audits remains unwavering.



A handwritten signature in black ink that reads "Andrew E. Busch".

Lt Gen Andrew E. Busch, USAF
Director

VI. Service Providers Audit Readiness

Service providers perform a variety of functions and services for the DoD Components, including:

- Accounting and Finance
- Asset Acquisition, Storage, and Issuance
- Civilian Personnel Data System Support
- Contract Management
- IT System Operations and Hosting Support
- Military and Civilian Pay
- Real Property Construction

Component customer audit readiness often relies on service provider audit readiness. To support the Component customers' audit readiness efforts, service providers are working to achieve audit readiness and obtain reasonable assurance that their controls over operations and systems are designed and operating effectively. In addition, service provider IT systems must be interoperable and effectively functioning to provide Component customers' IT systems with the data needed for accounting transactions and supporting documentation. The Department is closely monitoring progress to ensure service provider audit readiness aligns with the Department's audit strategy and timeline.

DoD Service Providers

The DoD service providers include:

- Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (OUSD(AT&L))
- Department of the Army

- U.S. Army Corps of Engineers (USACE)
- Naval Facilities Engineering Command (NAVFAC)
- Defense Contract Management Agency (DCMA)
- Defense Finance and Accounting Service (DFAS)
- Defense Human Resources Activity (DHRA)
- Defense Information Systems Agency (DISA)
- Defense Logistics Agency (DLA)
- Defense Manpower Data Center (DMDC)

AUDIT READINESS STRATEGY AND SERVICE PROVIDERS

To ensure the service providers are audit ready when their Component customers are under audit, the OUSD(C):

- Issued specific service provider guidance in the FIAR Guidance
- Directed the service providers to identify material systems and is monitoring system audit readiness activity
- Monitors SSAE No. 16 examinations and tracks Notices of Findings and Recommendations
- Conducts a Service Provider Working Group to track status of service provider activities and address DoD-wide dependencies

SSAE No. 16 Examinations

Upon completing financial improvement work, service providers undergo examinations conducted in accordance with SSAE No. 16, "Reporting on Controls at a Service Organization." To improve Department-wide efficiency, service providers that provide services to three or more Component customers must obtain an SSAE No. 16 examination on controls. The results of the SSAE No. 16 examinations can then be used by Component customer financial statement auditors, saving time and money.

Service providers that do not conduct SSAE No. 16 examinations must work with their Component customers to determine how they will support their Component-customers' audit readiness efforts. Service providers are responsible for discovery and corrective action for the processes, controls, and systems that affect a Component's financial reporting objectives. Service providers must achieve financial reporting objectives by implementing control activities and providing supporting documentation that will be audited as part of a Component customer's financial statement audit.

SERVICE PROVIDER AUDIT READINESS

Service provider roles, responsibilities, and audit readiness status are described in the sections that follow. Quad-charts, providing additional information, are included for those service providers continuing to perform financial improvement and audit readiness activity in support of their customers.

OUSD(AT&L)

The Property and Equipment Policy Office of the OUSD(AT&L) operates the Defense Property Accountability System (DPAS). DPAS is used for acquiring, managing, and reporting all types of personal property, including Internal Use Software, and for the financial reporting of Real Property. DPAS is used by the Army, Navy, Marine Corps, Air Force, and ODOs.

An SSAE No. 16 examination is performed annually on DPAS. The OUSD(AT&L) received an unmodified opinion on the examination for the period July 2014 – June 2015.

Department of the Army

The Army has two service provider roles and responsibilities:

- Acquisition authority for conventional ammunition
- Real property construction and maintenance

Acquisition of Conventional Ammunition

The Army has acquisition authority and custodial accountability for conventional ammunition for the Military Services and serves as the single manager for conventional ammunition, providing ammunition procurement and management. Ammunition is reported by the Military Services as Operating Material and Supplies on the Balance Sheet.

As a service provider, the Army maintains physical custody over ammunition stock owned by the other Military Services and visibility for these assets in the two accountable property systems of record: LMP and SAAS-MOD. To comply with FIAR service provider requirements, the Army is:

- Executing a single set of audit readiness activities for the Army and other Military Services.
- Performing monthly internal controls testing of business processes to identify and mitigate deficiencies.

The Army approaches audit readiness customer support by capitalizing on the existence and completeness audit readiness work of Army-owned ammunition. The Army is relying on the results of substantive existence and completeness, internal control, and system control testing to support its assertion on the existence, completeness, rights, obligations, and presentation and disclosure assertions that are central to audit readiness.

The Army service provider approach uses the same Army business processes and internal controls for all Operating Materials and Supplies assets regardless of ownership. As a result, the Army's audit readiness assertions are used for the management of ammunition owned by other Services. However, the Army's assertion cannot be applied to the ammunition assets procured directly by the other Military Services.

FIAR Plan Status Report

The Army completed the following audit readiness activities:

- Asserted Operating Materials and Supplies (Class V Supply) audit readiness – September 2014
- Developed corrective actions in response to a DoD OIG audit readiness validation report

The Army is preparing to address FIAR Guidance valuation requirements for ammunition as part of the Army's overall valuation strategy for other Operating Materials and Supplies assets.

Real Property Engineering Services and Construction

The USACE delivers public and military engineering services to strengthen the Nation's security, energize the economy, and reduce risks from disasters. Construction and engineering services are provided for the Army, other Military Departments, and Defense Agencies.

USACE has received clean audit opinions on its Civil Works financial statements since FY 2006. Because USACE serves as a construction agent for the Army, its business processes and internal controls are applicable to the Army's Real Property asset management and audit readiness activities, as well as those of its other Component customers.

In support of its Component customers, USACE:

- Manages and oversees the military construction program throughout the construction process, which includes Construction in Progress reporting and accounting.
- Maintains and provides real estate documents upon acceptance of real property.
- Manages real property that is acquired by lease, easement, license, permit, or similar real estate instruments.
- Manages and oversees the acquisition, improvement, and disposal of land.

- Disposes of excess real estate including disposals mandated by the BRAC Commission or public law.

Naval Facilities Engineering Command

NAVFAC builds and maintains facilities, delivers utilities and services, and provides capabilities to Navy expeditionary combat forces. NAVFAC also supports the Air Force, USMC, and Defense Agencies.

NAVFAC uses the Facilities Information System and its associated controls to manage military construction funds regardless of the source of those funds.

NAVFAC supports its customers' Real Property audit readiness by managing and overseeing Construction in Progress reporting and accounting, and real property construction, transfer, and acceptance. NAVFAC also provides audit readiness support, such as audit sample requests, supporting documentation, account reconciliations, and process documentation.

Defense Contract Management Agency

DCMA received a modified opinion with nine NFRs on the FY 2015 SSAE No. 16 examination for Contract Pay. All FY 2015 NFRs have been corrected. DCMA is currently undergoing an SSAE No. 16 examination for the period January 1 – June 30, 2016. The examination report is expected in August 2016.

DCMA is assisting its Component customers' SBA audits by providing controls and process documentation for Contract Pay and SSAE No. 16 examination reports.

Defense Finance and Accounting Service

DFAS provides accounting and finance services for the Department of Defense. Services include civilian pay, military pay, vendor pay, retired and annuitant pay, contract pay, travel pay, debt and claims, disbursing, accounting, and financial statement preparation for the Military Services and other Defense organizations.

FIAR Plan Status Report

In FY 2015, DFAS disbursed \$477 billion and processed 135.7 million pay transactions for 6.3 million military and civilian employees, including retirees and annuitants, 11.8 million invoices, and 5.7 million travel payments. DFAS maintained 1,367 active appropriations and managed \$834 billion in military retirement and health care fund investments.

SBA Audit Support

As a financial service provider, DFAS is critical to the Department's overall audit readiness. DFAS efficiently and effectively supports the Department's audit readiness goals by using a systematic approach made up of three major elements: SSAE No. 16 examinations, self-reviews, and system reviews. DFAS also incorporates lessons learned from previous audits and examinations. DFAS undergoes annual SSAE No. 16 examinations on five of its major functions, including civilian pay, military pay, standard disbursing, contract pay, and financial reporting. Results of DFAS' SSAE No. 16 examinations include:

- Civilian Pay – Unmodified opinion for the period October 2014 – June 2015
- Military Pay – Modified opinion with qualified language for the period October 2014 – June 2015
- Standard Disbursing – Unmodified opinion for the period October 2014 – June 2015
- Contract Pay – Unmodified opinion for the period October 2014 – June 2015
- Financial Reporting – Modified opinion with qualified language for the period December 2014 – July 2015

The first SSAE No. 16 examination for the Defense Cash Accountability System (DCAS) began in FY 2016 for the period March 2016 – August 2016. The examination report is expected in October 2016.

For processes and systems that are not part of an SSAE No. 16 examination, DFAS conducts self-reviews and system reviews in accordance with FIAR Guidance and FISCAM. DFAS also sustains an effective Management Internal Control Program to ensure processes are documented, controls are effectively tested, and corrective actions are fully remediated.

Full Financial Statement Audit Support

DFAS is supporting its Component customers' SBA and financial statement audits and preparations for full financial statement audits. DFAS support includes:

- Developing and implementing a strategy to support beginning balances.
- Capturing and producing the universe of transactions needed for full financial statement audits.
- Reducing or eliminating the need for journal vouchers.
- Ensuring DFAS-owned systems are ready for audit through a risk-based approach
- Remediating deficiencies discovered through the SBA audits.
- Reconciling accounting detail to the Treasury Department at the transaction level via various reconciliation tools.

Defense Information Systems Agency

DISA provides application hosting services for the Department's service providers and Components. As a result, DISA is responsible for most of the IT general controls over the computing environment in which many financial, personnel, and logistics applications reside. In order for service providers and Components to rely on automated controls and documentation within these applications, controls must be appropriately designed and effective. DISA and the Components have entered into agreements to support audits. The agreements ensure services are documented and describe any non-standard controls or functions.

FIAR Plan Status Report

For the fourth consecutive year, DISA received an unmodified opinion for application hosting services on its SSAE No. 16 examination. In FY 2015, DISA conducted its first SSAE No. 16 examination on the Automated Time and Attendance and Production System (ATAAPS) and received a modified opinion. DISA is dedicated to resolving the two NFRs provided by the auditor and is on target to complete corrective actions. DISA continues to support the Components and has engaged an IPA to conduct follow-on SSAE No. 16 examinations for both hosting services and ATAAPS for the period October 2015 – June 2016.

Defense Logistics Agency

DLA has two service provider roles:

- Stores and issues Service-owned items
- Operates and maintains three IT systems

Military Service-Owned Items in DLA Custody

DLA is a service provider to the Military Services for Military Service-owned items in DLA custody. DLA stores and manages items at its facilities and issues and distributes items to the Military Services. While DLA uses a DLA system, DSS, to record receipt and issuance activity at its facilities, each Military Service maintains its own accountable property system of record. To define how DLA will support each Military Service's audit readiness efforts and address financial reporting controls, DLA signed an MOU with each Military Service.

IT Systems

DLA maintains IT systems used by the Components for business and financial operations including contract pay, disbursing, and financial reporting. DLA completed discovery and corrective actions and strengthened controls for the systems in support of customer audit readiness. DLA SSAE No. 16 examinations were completed for:

- Defense Automatic Addressing System (DAAS)

- Defense Agencies Initiative (DAI)
- Invoices Receipt Acceptance and Property Transfer (iRAPT) (formerly known as Wide Area Workflow)

The SSAE No. 16 examination reports are expected in August 2016.

Defense Manpower Data Center

DMDC supports the Department by managing and maintaining two IT systems:

- Defense Civilian Personnel Data System (DCPDS)
- Defense Travel System (DTS)

Defense Civilian Personnel Data System Support

In October 2015, DMDC assumed the operation and maintenance of DCPDS, the Department's civilian personnel system used to initiate, approve, and process personnel actions for DoD civilian employees. DCPDS supports over 800,000 active civilian personnel records and is the feeder system to the payroll system maintained by DFAS. The Components rely on DCPDS, including relevant system controls, to ensure the completeness, accuracy, validity, and restricted access to civilian personnel actions. Additionally, DMDC hosts the personnel system for all Components at a contractor-managed data center. DCPDS received an unmodified opinion on its SSAE No. 16 examination for the period October 2014 – June 2015.

Defense Travel System Support

In coordination with the Defense Travel Management Officer, DMDC maintains DTS. DTS is used to manage, execute, and calculate the costs to reimburse travel for the Department of Defense. The Department relies on DTS, including system controls, to ensure the completeness, accuracy, and validity of travel costs and to restrict access to and prevent unauthorized access to this information. DTS is heavily governed by policy; however, enforcing the policy is the responsibility of the agency using the system. In addition to

FIAR Plan Status Report

maintaining DTS, DMDC monitors contractor performance and systems to ensure cost, product performance, and delivery schedules comply with the terms and conditions of the contracts.

A modified opinion with five NFRs was received on the FY 2015 DTS SSAE No. 16 examination. Two of the NFRs were corrected by DLA prior to transferring DTS to DMDC. DMDC completed

corrective actions on the other three NFRs. The effectiveness of the corrective actions is being tested in the FY 2016 SSAE No. 16 examination.

Department of the Army – Operating Materials and Supplies (Ammunition)

Overview

- Army has acquisition authority and custodial accountability for conventional ammunition for the Military Services, and as such:
 - Executes a single set of audit readiness activities for the Army and other Military Services.
 - Tests internal controls of business processes monthly to identify deficiencies for mitigation.
 - Uses the Army’s existence and completeness assertion of Army-owned Operating Materials and Supplies as support for the assertions of the other Military Services’ balances.

Remaining Audit Readiness Actions

- Conduct FISCAM assessment of LMP and implement corrective actions.
- Provide documentation and test results to customers for asserting audit readiness on their Operating Materials and Supplies assets.
- Provide internal control catalogues and supporting documentation to customers so their auditors can assess the inherent and control risk related to Operating Materials and Supplies.
- Conduct SSAE No. 16 examination of Army as single manager for conventional ammunition.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	✓
Reporting Entity Assertion Support	✓
Assertion	✓

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All transactions are recorded (physical inventory reconciles to APSR records) and properly classified (individual item identifier, where applicable, asset type, controlling organization) within the APSR.	✓
Physical inventories are conducted to validate the existence (APSR records reconcile to physical inventory).	✓
Physical inventories are conducted to validate transactions recorded in the APSR pertain to the Component (identification number where applicable, asset marked with Components name).	✓
All transactions are consistently categorized by type in APSR, summarized, or reported from period to period.	✓
All transactions are recorded (physical inventory reconciles to APSR records) and properly classified (individual item identifier where applicable, asset type, controlling organization) within the APSR.	✓
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	12/2016

U.S. Army Corps of Engineers – Real Property

Overview

- Army Civil Works Fund, managed by USACE, has received an unmodified financial statement audit opinion since FY 2008.
- USACE uses the Corps of Engineers Financial Management System (CEFMS) with associated controls to manage military construction funds regardless of the source of those funds.
- With minor enhancements, USACE customers can rely on the Civil Works audit opinion for asserting SBR audit readiness, real property existence and completeness (land, capital leases, and leasehold improvements), and Construction in Progress.
- Army tests internal controls monthly for Real Property business processes and will be incorporating USACE processes into its monthly testing approach.

Remaining Audit Readiness Actions

- In preparation for the full Real Property assertion, the Army and USACE will continue to review and validate Land, Capital Leases, Leasehold Improvements, and Construction in Progress balances.

Challenges

- Obtaining transaction-level details to support the baseline universe for land, capital leases, leasehold improvements, and construction in progress.
- Obtaining historical asset acquisition documentation to support valuation costs for Army Real Property assets constructed under the military construction appropriation where USACE served as the construction agent.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	09/2016
Reporting Entity Assertion Support	09/2016
Assertion	09/2016

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All project related transactions are recorded.	✓
Recorded projects exist at a given date and are supported by appropriate detailed records that are accurately summarized and reconciled.	✓
All construction in progress transactions are consistently and accurately categorized, summarized or reported from period to period.	09/2016
Appropriate construction in progress amounts are transferred to the DoD Component in a timely manner upon completion of the project.	09/2016
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	✓

Navy Facilities Engineering Command – Real Property

Overview

- NAVFAC uses the Facilities Information System and its associated controls to manage military construction funds regardless of the source of those funds.
- NAVFAC supports its customers’ Real Property audit readiness by managing and overseeing Construction in Progress reporting and accounting, and real property construction, transfer, and acceptance. NAVFAC also provides audit readiness support, such as audit sample requests, supporting documentation, account reconciliations, and process documentation.

Remaining Audit Readiness Actions

- Continue working with Services and Defense Agencies to complete service provider MOUs with Component customers.
- Begin an examination in Quarter 1 of FY 2017 to support customer assertions.
- Implement capital improvement requirements in accordance with the SFFAS No. 6.
- Continue improvement of customer Real Property reconciliation to prevent gaps and mitigate risks, including duplicate reporting and data element accuracy.
- Continue developing implementation plans for alternative valuation methodologies and financial reporting responsibilities.
- Prioritize resource allocation to support customer activities and audit requirements, addressing greatest audit risks.
- Continue to assess financial management systems’ FISCAM control objectives (i.e., IT general controls and application controls).

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	06/2016
Reporting Entity Assertion Support	09/2016
Assertion	09/2016

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	09/2016
All in-scope business processes and subprocesses have controls in place to achieve the relevant control objectives.	03/2017

Defense Contract Management Agency

Overview

- Received a modified opinion with 9 NFRs on the FY 2015 SSAE No. 16 examination for Contract Pay. The NFRs pertained to access controls, segregation of duties, and business process controls.
- Created corrective action plans to address the audit deficiencies. Testing of remediation activity was completed 08/2015, and all FY 2014 corrective action plans were closed.
- DCMA conducted a workshop addressing Complementary User Entity Controls needed to satisfy the control objectives for its customers.

Remaining Audit Readiness Actions

- Finalize existing Contract Pay MOUs that define service provider and customer responsibilities.
- Support FY 2016 SSAE No. 16 examination testing.
- Continue periodic internal control testing of Contract Pay sample transactions.
- Reevaluate and determine scope of FY 2017 SSAE No. 16 examination.
- Assert audit readiness for FY 2017 in 10/2016.

SSAE No. 16 Examinations (✓ = Completed)

Examination Period	Opinion	NFRs	NFR Completion
02/2014 – 10/2014	Modified	6	✓
02/2015 – 09/2015	Modified	9	✓
01/2016 – 06/2016	Examination in Progress		

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All in-scope business processes and subprocesses have controls in place to achieve the relevant control objectives.	09/2017
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	✓

Defense Finance and Accounting Service – Financial Reporting

Overview

- Financial Reporting is the process by which DFAS organizes financial data and produces DoD financial statements.
- The scope of the SSAE No. 16 assertion includes trial balance preparation, validation, trading partner eliminations, and adjustments performed through DDRS. DDRS is the reporting system that produces SFIS-compliant financial statements and budgetary reports for the Military Services and Defense Agencies.
- DFAS underwent a second SSAE No.16 examination in FY 2015. The resulting report was delivered 09/2015 and resulted in a modified opinion with qualified explanatory language.
- DFAS expanded the scope for the FY 2015 examination to include budgetary reporting processes for all Defense Agencies. The FY 2014 scope did not include all Defense Agencies due to the use of non-DDRS micro-applications. All Defense Agencies are now migrated to DDRS.

Remaining Audit Readiness Actions

- DFAS remediated 10 FY 2014 NFRs. These actions covered both business process and IT controls, and were included in testing for the FY 2015 examination.
- DFAS received 9 NFRs with the FY 2015 SSAE No. 16 report. NFRs included findings in the areas of business process and system controls.
- Estimated completion date for remaining NFRs (Unsupported Journal Vouchers and Trading Partner Eliminations) is FY 2017.
- Trading Partner Eliminations NFR remediation is highly dependent on successful implementation of the IPP initiative.

Challenges

- Engaging Military Services and Defense Agencies in long-term remediation plans, such as those for journal vouchers and trading partner eliminations.

SSAE No. 16 Examinations (✓ = Completed)

Examination Period	Opinion	NFRs	NFR Completion
03/2014 – 11/2014	Modified	10	✓
		2	09/2017
12/2014 – 07/2015	Modified	7	✓
		2	09/2017
10/2015 – 07/2016	Examination in Progress		

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All in-scope business processes and subprocesses have controls in place to achieve the relevant control objectives.	09/2017
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	09/2016

Defense Finance and Accounting Service – Defense Cash Accountability System

Overview

- DCAS is integral to the DFAS audit readiness strategy for Fund Balance with Treasury.
- DCAS captures, consolidates, and distributes payment and collection information received from DoD accounting and disbursing systems for use in cash reporting and reconciliation.
- DCAS receives files from disbursing and other systems, and uses an extensive process of edits, validations, and derivations to post transactions to the correct DFAS and customer accounting systems.
- The initial focus of this assertion is the DCAS Transaction Distribution process. All DFAS customers with cross disbursement activity are supported by this assertion.

Remaining Audit Readiness Actions

- Conduct an SSAE No. 16 examination for the period 03/2016 – 08/2016. The FY 2016 report is expected 10/ 2016.

Challenges

- Increased complexity due to the large number of stakeholders, both DFAS and non-DFAS.
- Dynamic nature of planned system changes.

SSAE No. 16 Examinations (✓ = Completed)

Examination Period	Opinion	NFRs	NFR Completion
03/2016 – 08/2016	Examination in Progress		

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All in-scope business processes and subprocesses have controls in place to achieve the relevant control objectives.	10/2016
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	10/2016

Defense Finance and Accounting Service – Department 97 Reconciliation and Reporting Tool

Overview

- DRRT monthly reconciles TI-97 funds between the Department’s various accounting systems (e.g., DAI, eBIZ, DBMS) and Treasury’s government-wide accounting system for each fund symbol.
- The Cash Management Report provides a summary cash position for the TI-97 reporting entities and bridges the gap between Treasury at the appropriation level to the individual Defense organizations at the four position limit level. The report computes the Fund Balance with Treasury and cash position at the appropriation, fiscal year, basic symbol, and limit level.

Remaining Audit Readiness Actions

- Document and test relevant processes and IT controls, and identify and implement any corrective actions.
- Identify and document Complimentary User Entity Controls.
- Prepare documentation for a Management’s Description for an SSAE No. 16 examination assertion of the Fund Balance with Treasury DRRT process.

Challenges

- Implementing corrective actions is made even more complex due to the large number of stakeholders, both DFAS and non-DFAS.
- Communicating scope, including complimentary user entity controls, to all stakeholders.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	09/2016
Reporting Entity Assertion Support	09/2016
Assertion	09/2016

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All in-scope business processes and subprocesses have controls in place to achieve the relevant control objectives.	08/2017
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	08/2017

Defense Finance and Accounting Service – Vendor Pay

Overview

- DFAS reviews and inputs documents to entitle payments for goods, services, and transportation. Internal controls work to ensure payments are made based on terms and conditions contained in accepted purchase orders, contracts, miscellaneous payments, and contract modifications.
- The scope of the SSAE No. 16 examination assertion includes contract input, receiving report entry, invoice entry, pre-validation, certification, and payment file generation and release for disbursing.
- CAPS-W and One Pay are the entitlement systems in scope. DFAS Accounts Payable Directorates use these systems to ensure proper entitlement, pre-validation, and certification of payments for vendor contracts.
- DFAS is planning the first SSAE No. 16 examination in FY 2017, and the resulting report is expected 08/2017.

Remaining Audit Readiness Actions

- Identify and implement corrective actions.
- Identify and document Complementary User Entity Controls for customers.
- Prepare documentation for a Management’s Description for an SSAE No. 16 examination assertion of the Vendor Pay entitlement process.

Challenges

- Implementing corrective actions is made even more complex due to the large number of stakeholders, both DFAS and non-DFAS.
- Communicating scope, including Complimentary User Entity Controls, to all stakeholders.
- Ensuring the material systems supporting the vendor pay SSAE No. 16 assertion achieve the general and application control objectives.

SSAE No. 16 Examinations (✓ = Completed)

FIAR Phases	Completion
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	09/2016
Reporting Entity Assertion Support	09/2016
Assertion	09/2016

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All in-scope business processes and subprocesses have controls in place to achieve the relevant control objectives.	08/2017
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	08/2017

Defense Information Systems Agency – Automated Time Attendance and Production System

Overview

- DISA hosts and provides ATAAPS for use by the Components.
- ATAAPS is a web-based data entry application that allows employees to enter time and attendance information while selecting and charging time to the associated job order or task (e.g., leave, overtime, compensatory time, wellness). Additionally, leave requests may be submitted to the appropriate individuals for approval.
- ATAAPS is a feeder system to DCPS providing the source data automation to payroll.

Strategy Summary

- Conduct an SSAE No. 16 examination in FY 2016.

SSAE No. 16 Examinations (✓ = Completed)

Examination Period	Opinion	NFRs	NFR Completion
10/2014 – 06/2015	Qualified	2	✓
11/2015 - 11/2016	Examination in Progress		

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All in-scope business processes and subprocesses have controls in place to achieve the relevant control objectives.	✓
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	✓

Defense Logistics Agency – Defense Automatic Addressing System

Overview

- DAAS routes and edits transactions in accordance with customer-defined requirements and maintains the DoD Activity Address file.
- Received a modified opinion in September 2015 on the SSAE No. 16 examination for the period 10/2014 – 06/2015.
- Held customer Complimentary User Entity Controls discussions to ensure understanding.
- Continuing support through FY 2016 SSAE No. 16 examination with reporting period of 10/2015 – 06/2016.

Remaining Audit Readiness Actions

- Implement corrective actions and recommendations from the FY 2015 SSAE No. 16 examination.
- Continue monitoring and sustaining enterprise-wide control policies and procedures.

Challenges

- Balancing customer requirements for increasing audit coverage with ability to support mission functions.

SSAE No. 16 Examinations (✓ = Completed)

Examination Period	Opinion	NFRs	NFR Completion
09/2013 – 02/2014	Modified	4	✓
10/2014 – 06/2015	Modified	5	✓
10/2015 – 06/2016	Examination in Progress		

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All in-scope business processes and subprocesses have controls in place to achieve the relevant control objectives.	✓
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	✓

Defense Logistics Agency – Defense Agencies Initiative

Overview

- DAI is an ERP being deployed to most non-intelligence Defense Agencies and organizations other than the Military Departments.
- Received an unmodified opinion on the SSAE No. 16 examination for the period 10/2014 – 06/2015.
- Held customer Complimentary User Entity Controls discussions to ensure understanding.
- Continuing DLA support through FY 2016 SSAE No. 16 examination with reporting period of 10/2015 – 06/2016.

Remaining Audit Readiness Actions

- Sustain unmodified opinion through annual testing and timely correction of issues.
- Continue monitoring and sustaining enterprise-wide control policies and procedures.

SSAE No. 16 Examinations (✓ = Completed)

Examination Period	Opinion	NFRs	NFR Completion
01/2014 – 06/2014	Modified	3	✓
10/2014 – 06/2015	Unmodified	3	✓
10/2015 – 06/2016	Examination in Progress		

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All in-scope business processes and subprocesses have controls in place to achieve the relevant control objectives.	✓
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	✓

Defense Logistics Agency – Military Service-Owned Items in DLA Custody

Overview

- DLA stores Military Service-owned items and, as directed, issues and distributes the items to the Military Services. DLA uses DSS to record receipt and issuance activity at its facilities. The Military Services maintain the accountable property systems of record for items in DLA custody.
- DLA uses the same receipt, storage, and issuance processes and policies for Military Service-owned items as it does for DLA-owned inventory items.
- DLA support affects Military Service financial reporting for the items in DLA custody. DLA established an MOU with each Military Service that defines DLA support of Military Service audits and addresses controls relevant to financial reporting.

Remaining Audit Readiness Actions

- Continue working with the Military Services to assess the full scope of assurances needed from DLA to support their financial statement audits.
- Support the first SSAE No. 16 examination. Report expected 08/2016.
- Support the IPA performing other audit procedures over quantity.
- Continue monitoring and sustaining enterprise-wide control policies and procedures.

SSAE No. 16 Milestones (✓ = Completed)

Examination Period	Opinion	NFRs	NFR Completion
01/2016 – 06/2016	Examination in Progress		

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All in-scope business processes and subprocesses have controls in place to achieve the relevant control objectives.	✓
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	✓

Defense Logistics Agency – Invoices Receipt Acceptance and Property Transfer

Overview

- iRAPT is used for contractor invoicing and government receipt and acceptance of goods and services.
- Received a modified opinion on the SSAE No. 16 examination for the period 10/2014 – 06/2015.
- Held customer Complimentary User Entity Controls discussions to ensure understanding.
- Continuing DLA support through FY 2016 SSAE No. 16 examination with reporting period 10/2015 – 06/2016.

Remaining Audit Readiness Actions

- Continue monitoring and sustaining enterprise-wide control policies and procedures.

SSAE No. 16 Examinations (✓ = Completed)

Examination Period	Opinion	NFRs	NFR Completion
03/2014 – 08/2014	Modified	10	✓
10/2014 – 06/2015	Modified	4	✓
10/2015 – 06/2016	Examination in Progress		

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All in-scope business processes and subprocesses have controls in place to achieve the relevant control objectives.	✓
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	✓

Defense Manpower Data Center – Defense Travel System

Overview

- DTS is used across the Department for managing travel and reimbursing travel claims.
- The Defense Human Resource Activity - Defense Manpower Data Center (DHRA - DMDC) became the Program Management Office in 10/2015, when it was transferred from DLA.
- Provided customers the SSAE No. 16 examination report, describing the system and opinion on control design and operating effectiveness.
- DMDC DTS Program Management Office participates in service provider working group meetings to communicate the DTS SSAE No. 16 status.
- A workshop was conducted with DTS customers delivering the Complementary User Entity Controls.

Remaining Audit Readiness Actions

- Support the FY 2016 SSAE No. 16 examination.

SSAE No. 16 Examinations (✓ = Completed)

Examination Period	Opinion	NFRs	NFR Completion
10/2014 – 06/2015	Modified	5	✓
10/2015 – 06/2016	Examination in Progress		

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Completion
All in-scope business processes and subprocesses have controls in place to achieve the relevant control objectives.	✓
All material systems achieve the relevant FISCAM IT general and application-level general control objectives.	✓

VII. Enterprise Resource Planning Systems

The Department's ability to produce auditable financial statements is dependent on an audit ready systems environment that includes Enterprise Resource Planning systems (ERPs). The Department's ERP investments help lead to better financial controls, mitigate material weaknesses, and aid in achieving clean audit opinions. An audit ready systems environment is also essential to effectively and efficiently sustaining audit readiness.

As many IT controls as possible are embedded in each ERP to reduce the possibility of human error and automate processes. Effective, automated controls are essential to audit readiness and minimize the amount of testing to be performed by auditors. Progress has been substantial, but the extent to which internal controls have been embedded within an ERP depends on the system and program maturity, as well as the ERP's purpose.

Component plans for deploying ERPs vary, and some of the projected dates extend beyond September 30, 2017. The FY 2018 full financial statement audits will include a combination of ERPs and legacy systems. This section provides an overview of each ERP, program costs, IT controls, and other important information. See the Military Department and Other Defense Organization sections for the audit readiness status of each Component's systems environment.

DEPARTMENT OF THE ARMY

The Army ERPs are:

- General Fund Enterprise Business System (GFEBS)
- Logistics Modernization Program (LMP)
- Global Combat Support System – Army (GCSS-A)
- Integrated Personnel Pay System – Army (IPPS-A)

General Fund Enterprise Business System

GFEBS is the General Fund accounting, asset management, and financial system used to standardize, streamline, and share data across the active Army, Army National Guard, and Army Reserve. GFEBS was the first ERP to fully deploy within the Army.

GFEBS Increment II will continue improving the Army's business processes by allowing for full cost reporting of the Army's outputs (products and services). It will also accommodate emerging requirements for enhanced financial integration, Army single labor time tracking, and environmental and integrated resource management. These requirements not only provide additional capability, but improve automated integration of financial data, enhance business process efficiencies, increase interoperability, and maintain auditability.

Logistics Modernization Program

LMP is one of the world's largest, fully integrated supply chain, maintenance, repair and overhaul, planning, execution, and financial management systems. Its mission is to sustain, monitor, measure, and improve modernized, national-level logistics support solution. It is commercial-off-the-shelf ERP solution that manages and tracks orders and delivery of materiel from the Army Materiel Command to Soldiers where and when they need it.

FIAR Plan Status Report

The LMP is improving Army operations by:

- Reducing the time it takes for processing multiple sales orders from approximately five minutes per transaction to less than five minutes per batch of transactions
- Reducing the time it takes to process maintenance orders from approximately two weeks to two days
- Increasing the accuracy of maintenance actions and giving users higher visibility of those actions
- Making it easier to input purchase requisitions (with legacy, system interruptions forced users to start over; with LMP, transactions are saved and users can return to the system to complete them)
- Providing drill-down capabilities to track order details
- Offering greater oversight of materiel movement

Global Combat Support System - Army

GCSS-A provides enterprise-wide visibility into various logistics areas and is a key enabler for the Army in achieving auditability. Army logisticians will use this system to access information and exchange operational logistics data related to tactical maintenance, materiel management, property accountability, tactical financial management, and logistics planning.

GCSS-A integrates internal and external management information across the Army, including finance/accounting, manufacturing, sales and service, and customer relationship management, and automates this activity with an integrated software application.

Integrated Personnel Pay System - Army

IPPS-A is an integrated solution using ERP software and agile development to deliver integrated personnel and pay capabilities. IPPS-A will be launched incrementally in five phases, or releases, over the coming years. Each release will build upon the system's

previous release, starting with the first release of IPPS-A. The first release interfaced with 15 personnel systems and built the foundational database of trusted personnel data for all future releases. In addition, this release provided each Soldier access to the Soldier Record Brief (SRB), an eventual replacement for the Officer and Enlisted Record Briefs (DA Form 2-1), and nine multi-component reports for human resource professionals. Release 1 was deployed to the Army in three waves by component in 2014, including a trusted database. This included the ability for Army National Guard, United States Army Reserve, and Active Army Soldiers to view and retrieve their SRB, as well as the ability for leaders and administrators to access nine predefined queries.

Release 2 will provide the National Guard with the capabilities that are currently supported by SIDPERS-ARNG. Release 3 will provide the capabilities currently supported by the major field systems for the Army Reserve and Active Army. Pay capabilities will then be introduced to all components in Release 4 and Release 5, which will provide the remaining essential personnel services not previously supported. This approach ensures IPPS-A meets the needs of all its users.

IPPS-A subsequent releases will interface with current Human Resources and Pay systems and in certain cases, subsume their functions. IPPS-A will ultimately subsume 45 Human Resource and Pay systems currently in use. Before any system's functions are subsumed, the Army will conduct an analysis to ensure that each subsumed system's functions can be accomplished with IPPS-A or other systems.

General Fund Enterprise Business System (GFEBS)

Overview

- GFEBS is the Army’s General Fund web-enabled accounting, asset management, and financial system used to standardize, streamline, and share critical data across the active Army, Army National Guard, and Army Reserve. GFEBS serves as the source for consolidated Army General Fund financial reporting.
- The deployment schedule for GFEBS included eight waves to thousands of financial users across the globe. Releases were deployed by functionality.
- In 07/2012, the Army completed GFEBS deployment. More than 53,000 users have been trained on GFEBS, and there are now more than 35,000 active users at 227 locations in 71 countries. Internal assessments are addressing GFEBS ability to meet audit readiness requirements.

Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	Completion
Research, Development, Test, and Evaluation	379.8	379.8
Procurement	243.1	284.6
Operations and Maintenance	280.6	849.4

Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	48
Legacy Systems Scheduled for Sunset	70
Legacy Systems Interfaced to Date	49
Total Number of Systems with Functionality Fully or Partially Subsumed by GFEBS	110

Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	✓	✓
Access	✓	09/2016
Configuration Management	✓	✓
Segregation of Duties	✓	✓
Contingency Planning	✓	✓
Completeness	✓	✓
Accuracy	✓	✓
Validity	✓	✓
Confidentiality	✓	✓
Availability	✓	✓

FIAR Plan Status Report

GFEBs Implementation Milestones and Audit Readiness Information (✓ = Completed)

Milestones	Functions	Completion	Percent of Total Budget Authority
Milestone A		✓	0
Milestone B		✓	20
Release/Wave 1	General Ledger Module, Budget Resource Management, Pay Management, Receivables Management	✓	20
Milestone C	General Ledger Module, Budget Resource Management, Pay Management, Receivables Management, Cost Management, Fund Balance with Treasury Management	✓	29
Release/Wave 2	General Ledger Module, Budget Resource Management, Pay Management, Receivables Management	✓	29
Release/Wave 3	General Ledger Module, Budget Resource Management, Pay Management, Receivables Management, Cost Management, Fund Balance with Treasury Management, Property Management	✓	51
Full Deployment Decision	General Ledger Module, Budget Resource Management, Pay Management, Receivables Management, Cost Management, Fund Balance with Treasury Management	✓	51
Full Deployment	General Ledger Module, Budget Resource Management, Pay Management, Receivables Management, Cost Management, Fund Balance with Treasury Management, Property Management	✓	84

GFEBs Financial Reporting Impact

GFEBs serves as a key source for consolidated Army General Fund financial reporting.

FIAR Plan Status Report

GFEB Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
Statement of Budgetary Resources				
Contract Pay	23	12	✓	✓
Supplies (MILSTRIP)	23	12	✓	✓
Reimbursable Work Order – Grantor	23	12	✓	✓
Vendor Pay	23	12	✓	✓
Fund Balance with Treasury	28	7	✓	✓
Appropriations Received	13	2	✓	✓
Military Pay	18	6	✓	✓
Civilian Pay	11	4	✓	✓
Reimbursable Work Order – Acceptor	7	4	✓	✓
Other Budgetary Activity	8	0	✓	✓
Financial Reporting	4	1	✓	✓
Mission-Critical Assets Existence and Completeness				
General Equipment	10	1	09/2016	12/2016
Real Property	10	9	12/2016	03/2017
Operating Materials and Supplies	10	1	09/2016	12/2016
Inventory	10	N/A	N/A	N/A

Logistics Modernization Program (LMP)

Overview

- LMP is one of the world’s largest, fully integrated supply chain, maintenance, repair and overhaul, planning, execution, and financial management systems. It is designed to sustain, monitor, measure, improve, and modernize the logistics support solution.
- LMP handles 7 million transactions daily and \$19 billion in inventory. It is deployed to 21,000 users in more than 50 locations around the world. LMP interfaces with more than 80 DoD systems and exceeds industry standards with a system response time of less than 2 seconds per transaction in 97 percent of cases.
- LMP Increment 2 will add 9,000 new users, give 5,000 users additional functionality, and will provide new and expanded capabilities that address business transformation for the Army and DoD Directive 8320.04 for Item Unique Identification standards.

Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	2 (8 CCSS, 42 SDS) ¹
Legacy Systems Scheduled for Sunset	16
Legacy Systems Interfaced to Date	81
Legacy Systems to Be Interfaced	5

¹ 8 CCSS and 42 SDS refer to the number of instances of these legacy systems.

Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	Completion
AWCF – Construction in Progress	1,214.1	1,385.6
AWCF – Operations	1,162.8	2,661.4
Operations and Maintenance Army	111.7	182.0
Base Realignment and Closure	3.1	3.1

Note: Program Cost is for Increments 1 and 2. To Date is as of January 31, 2016; Completion cost (total lifecycle cost) as reflected in Increment 1 Program Office Estimate and Increment 2 Full Deployment Decision Army Cost Position.

Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	✓	✓
Access	✓	09/2016
Configuration Management	✓	✓
Segregation of Duties	✓	09/2016
Contingency Planning	✓	✓
Completeness	✓	09/2016
Accuracy	✓	09/2016
Validity	✓	09/2016
Confidentiality	✓	09/2016
Availability	✓	09/2016
Increment 2		
IT General Controls (CM, AC, SD)	08/2016	03/2017
IT Application Controls	08/2016	03/2017

FIAR Plan Status Report

LMP Implementation Milestones and Audit Readiness Information (✓ = Completed)

Milestones	Functions	Completion	Percent of Total Budget Authority
CECOM Go-Live	General Ledger Management, Budgetary Resource Management, Payment Management, Receivables Management	✓	N/A
AMCOM Go-Live	General Ledger Management, Budgetary Resource Management, Payment Management, Receivables Management	✓	N/A
FFMIA Compliance (Blue Book ver 6.0)	Demonstration of LMP FFMIA Compliance with the Army Audit Agency – LMP determined to be “Substantially Compliant”	✓	N/A
SAP Upgrade from 4.6c to ECC 6.0	General Ledger Management, Budgetary Resource Management, Payment Management, Receivables Management	✓	N/A
TACOM/JM&L/ASC Go-Live	General Ledger Management, Budgetary Resource Management, Payment Management, Receivables Management	✓	N/A
BEA Compliance (ver 8.0)	Program Compliance	✓	N/A
03/2011 Functional Release	SFIS 8.0 Historical Financial Records Update	✓	N/A
12/2011 Functional Release	GFEBs Interfaces , SFIS Compliance Capability, OSD Functional Financial Requirements, Constructive Receipts, improved Fed/Non Fed determination	✓	N/A
SFIS Compliance (ver 8.0)	Demonstrate compliance with remaining SFIS 8.0 Business Rules with ODCMO	✓	N/A
SFIS Compliance (ver 9.0)	Demonstrate compliance with remaining SFIS 9.0 Business Rules with ODCMO	✓	N/A
BEA Compliance (ver 10.0)	Program Compliance	✓	N/A
FFMIA Compliance (Blue Book ver Jan 2011)	Demonstrate LMP FFMIA Compliance with the Army Audit Agency	✓	N/A
Implement Governance, Risk, and Compliance capability	Enhanced Access Controls and Segregation of Duties Management	✓	N/A
BEA Compliance (ver 10.0)	Program Compliance with FY 2015 OEP cycle	✓	N/A
11/2014 Functional Release	Auditability SCR Implementation	✓	N/A
GTAS Compliance	Implement the functional changes to support GTAS reporting	✓	N/A
SFIS Compliance (ver 10.0)	LMP configured with SFIS 10.0 data elements to support SFIS reporting	✓ ¹	N/A
SLOA Capability	LMP configured to accept, store, and transmit all SLOA data elements	✓ ¹	N/A
BEA Compliance	Program Compliance with FY 2016 OEP cycle	✓	N/A

FIAR Plan Status Report

Milestones	Functions	Completion	Percent of Total Budget Authority
05/2015 Functional Release	Auditability SCR Implementation	✓	N/A
FFMIA Compliance	Abide by ASA(FM&C)'s holistic Army FFMIA compliance process	✓	N/A
AWCF Audit Readiness Corrective Action Plans	Complete FISCAM corrective actions to enable ASA(FM&C) FO to assert audit readiness	✓	N/A
AWCF Inventory Existence and Completeness Validation	Validation of Management Assertion of Internal Controls Design and Effectiveness	✓	N/A
AWCF Audit Readiness Assertion	Complete validation of FISCAM controls for ASA(FM&C) FO to assert audit readiness	✓	N/A
11/2015 Functional Release	Auditability SCR Implementation	✓	N/A
05/2016 Functional Release	Auditability SCR Implementation	✓	N/A
10/2016 Functional Release	Auditability SCR Implementation	10/2016	N/A

LMP Financial Reporting Impact

System compliance reviews are an important step toward relying on controls within LMP. Integration between LMP and GFEBS consists of budget execution and obligation transactions that are reported on the SBR. Additionally, LMP is an APSR for a portion of Army

OM&S. Given the volume of assets and transactions, future Army audit readiness assertions must rely on system controls. Army is on track for reviewing Governance, Risk and Compliance, SFIS, and FFMIA compliance for LMP.

FIAR Plan Status Report

LMP Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
Statement of Budgetary Resources				
Contract Pay	22	21	✓	09/2016
Supplies (MILSTRIP)	22	21	✓	09/2016
Vendor Pay	22	21	✓	09/2016
Reimbursable Work Order – Grantor	22	21	✓	✓
Fund Balance with Treasury	29	2	✓	09/2016
Appropriations Received	13	0	✓	N/A
Military Pay	N/A	N/A	N/A	N/A
Civilian Pay	11	7	✓	✓
Reimbursable Work Order – Acceptor	7	7	✓	✓
Other Budgetary Activity	8	0	✓	N/A
Financial Reporting	4	4	✓	✓
Government Purchase Card	22	21	✓	✓
Mission-Critical Assets Existence and Completeness				
General Equipment	10	1	✓	✓
Real Property	10	1	✓	✓
Operating Materials and Supplies	10	9	✓	✓
Inventory	10	9	✓	✓

Global Combat Support System – Army (GCSS-A)

Overview

- GCSS-A provides enterprise-wide supply chain logistics capability at the tactical and installation levels and enables the Army to achieve full audit readiness.
- GCSS-A is being deployed in two waves. Wave 1 provides Army-wide supply and financial capabilities at the tactical unit and installation warehouse levels and was completed in 12/2015. Wave 2 is deploying maintenance, property book accountability, and additional financial capabilities to every Army tactical and installation level unit.
- GCSS-A completed Initial Operational Test and Evaluation with 2nd Brigade, 1st Armored Division, in Quarter 1 of FY 2012, and received a Full Deployment Decision in Quarter 1 of FY 2013. As of 12/2015, the GCSS-A fielding effort for Wave 1 was complete. It was fielded to 34 Fielding Groups, including approximately 285 Units, and 14,677 users. Wave 2 has begun deployment and is 14 percent complete, as of 02/2016.

Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	2
Legacy Systems Scheduled for Sunset	5
Legacy Systems Interfaced to Date	0
Legacy Systems to Be Interfaced	2

Note: SARSS-1 and SARSS-2AC/B were sunset in 12/2015 with GCSS-Army Wave 1 deployment completion. With the completion of Wave 2 Deployment, GCSS-A will sunset PBUSE, SAMS-E, SAMS-IE, FCM, and STANFINS (Partial) in 09/2017. Wave 2 will also include interfaces for two legacy systems: SAAS-Mod and ULLS-AE.

Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	Completion
Research, Development, Test, and Evaluation	1,053.1	1,062.9
Procurement	494.8	891.1
Operations and Maintenance	381.8	1,977.7

Note: To Date is as of September 2015. Total Cost (Total Lifecycle Costs) as reflected in Full Deployment Decision Army Cost Position.

Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	✓	✓
Access	✓	09/2016
Configuration Management	✓	09/2016
Segregation of Duties	✓	✓
Contingency Planning	✓	09/2016
Completeness	✓	09/2016
Accuracy	✓	09/2016
Validity	✓	09/2016
Confidentiality	✓	09/2016
Availability	✓	09/2016

FIAR Plan Status Report

GCSS-A Implementation Milestones and Audit Readiness Information (✓ = Completed)

Milestones	Functions	Completion	Percent of Total Budget Authority
Milestone A/B		✓	10
Milestone C		✓	22
Full Deployment Decision	Budget Resource Management, Cost Management, Fund Balance with Treasury Management, General Ledger Management, Payment Management, Receivables Management	✓	31
Initial Deployment/Initial Operating Capability	Budget Resource Management, Cost Management, Fund Balance with Treasury Management, General Ledger Management, Payment Management, Receivables Management	✓	32
Wave 1	Budget Resource Management, Cost Management, Fund Balance with Treasury Management, General Ledger Management, Payment Management, Receivables Management	✓	100
Wave 2	Budget Resource Management, Cost Management, Fund Balance with Treasury Management, General Ledger Management, Payment Management, Receivables Management	09/2017	100
Full Deployment	Budget Resource Management, Cost Management, Fund Balance with Treasury Management, General Ledger Management, Payment Management, Receivables Management	09/2017	100

GCSS-A Financial Reporting Impact

GCSS-A Wave 1 enables an initial capability in achieving financial audit readiness for supply transactions at the tactical unit and installation levels. When Wave 2 is complete, financial audit readiness also will include maintenance and property book accountability financial transactions at these same levels.

GCSS-A summary execution data are passed monthly to GFEBS, and financial statement reporting is produced from GFEBS..

FIAR Plan Status Report

GCSS-A Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
Statement of Budgetary Resources				
Fund Balance with Treasury	29	7	09/2016	06/2017
Supplies (MILSTRIP)	22	21	09/2016	09/2017
Financial Reporting	4	4	09/2016	03/2017
Other Budgetary Activity	18	4	09/2016	03/2017
Appropriations Received	13	2	09/2016	03/2017
Reimbursable Work Order – Grantor	22	12	09/2016	03/2017
Reimbursable Work Order – Acceptor	7	4	09/2016	03/2017
Mission-Critical Assets Existence and Completeness				
General Equipment	10	9	10/2016	04/2017
Operating Materials and Supplies	10	9	10/2016	04/2017
Inventory	10	9	10/2016	04/2017

Integrated Personnel and Pay System – Army (IPPS-A) – Increment I

Overview

- IPPS-A is the Army’s web-based human resources solution for integrating human resources capabilities across Army components. IPPS-A will alleviate the Army’s reliance on more than 40 systems that do not efficiently share information. IPPS-A will provide a centralized resource to soldiers, leaders, and human resource professionals for managing personnel and pay information.
- IPPS-A provides standardized reports with conditional displays by grade (Enlisted, Officer, Warrant Officer) and component.
- IPPS-A establishes a total Army relational database that standardizes data from 15 legacy systems.
- IPPS-A supports data accuracy by providing reports that allow soldiers to review and correct erroneous information in legacy systems.
- IPPS-A is in the design stage of its development. Increment II, Release 2.0 is the first release containing auditable content. Increment II, Release 2.0 is slated for release after successful completion of Limited Field Decision in Quarter 3 of FY 2018.

Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	0
Legacy Systems Scheduled for Sunset*	0
Legacy Systems Interfaced to Date (Increment I)	15
Legacy Systems to Be Interfaced (Increments I and II)	92

* The 43 systems previously reported will be sunset after deployment of IPPS-A, Increment II.

Program Cost (Dollars in Millions) costs not updated

Program Cost by Appropriation	To Date	Completion
Research, Development, Test, and Evaluation	186.9	190.9
Procurement	0.5	0.5
Operations and Maintenance	9.7	177.5

Note: To Date as of March 19, 2015. Completion cost (total lifecycle cost) as reflected in Milestone C Army Cost Position.

Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	TBD	TBD
Access	TBD	TBD
Configuration Management	TBD	TBD
Segregation of Duties	TBD	TBD
Contingency Planning	TBD	TBD
Completeness	TBD	TBD
Accuracy	TBD	TBD
Validity	TBD	TBD
Confidentiality	TBD	TBD
Availability	TBD	TBD

Note: IPPS-A is in the design stage. IT controls testing and correction dates have not been determined.

FIAR Plan Status Report

IPPS-A Implementation Milestones and Audit Readiness Information (✓ = Completed)

Milestones	Functions	Completion	Percent of Total Budget Authority
Material Development Decision	Provided strategic direction for the program and detailed acquisition requirements; Increment I entered the DoD acquisition lifecycle in the Engineering and Manufacturing Development Phase (post-Milestone B).	✓	N/A
Contract Award	IPPS-A Increment I System Integrator awarded; development underway.	✓	N/A
Increment I Milestone C	Authorizes IPPS-A to enter the Production and Deployment Phase of the Acquisition Lifecycle; prepare for Full Deployment Decision.	✓	N/A
Increment I Full Deployment Decision	Authorizes IPPS-A Increment I to enter Operations and Support Phase of the Acquisition Lifecycle and proceed to Full Deployment of the trusted database to the Army National Guard, Active Army and United States Army Reserve. Increment I provides the foundational database for additional functionality provided in future releases.	✓	N/A
Increment II Milestone B	Authorizes the Army to begin the Engineering Development Phase for IPPS-A Increment II in accordance with the Interim Department of Defense Instruction (DoDI) 5000.02 signed by the USD(AT&L) on November 26, 2013.	✓	N/A
Release 2.0, Increment II Limited Fielding Decision	Release 2.0 will build on Increment I capabilities and provide the functionality necessary to subsume SIDPERS for all ARNG locations. End-to-end business process development will be evaluated to support various HR activities to include, but not be limited to, promotions, demotions, training requirements, member benefits, duty status, and unit level manning.	03/2018	TBD

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Milestones	Functions	Completion	Percent of Total Budget Authority
Release 3.0, Increment II Limited Fielding Decision	Release 3.0 will provide capabilities that support accountability and essential personnel services necessary to subsume numerous legacy field systems and modules including eMILPO and TAPDB-R. IPPS-A will establish a consolidated system that provides accountability of Soldiers and tracking of all personnel including deployed Soldiers. It will allow Commanders in the field to access timely, accurate, and standardized personnel data for Soldiers in all components and provide a basic means to identify Soldiers who should be on the payroll. In addition to delivering most of the functions required to establish an Army-wide HR system, Release 3.0 will bring HR payroll drivers on board to enhance accuracy of pay, credit for service, and benefits. IPPS-A will serve as the authoritative data source for all personnel within the system.	04/2019	TBD
Increment II Milestone C		08/2019	TBD
Release 4.0, Increment II Limited Fielding Decision	Release 4.0 will focus on pay services building on Releases 2.0 and 3.0 to provide the basis for the fully integrated personnel and pay system. IPPS-A will incorporate pay functionality to include, but not be limited to, base pay, taxes, allowances, bonuses, allotments, and leave. At deployment, Release 4.0 will serve as the authoritative data source for all personnel and pay transactions within IPPS-A and will be able to produce initial data in support of the Army's audit readiness goals.	01/2020	TBD
Increment II Full Deployment Decision		01/2020	TBD
Release 5.0, Increment II Limited Fielding Decision	Release 5.0 focuses on the personnel services not yet addressed by the previous releases. Specifically, it will incorporate remaining functions related to record evaluation and retention management, along with some predominant manual activities.	08/2020	TBD

Note: IPPS-A is in the design stage. Percent of total budget authority has not been determined.

IPPS-A Financial Reporting Impact

IPPS-A will meet the requirements of the FIAR program as it is deployed. The PeopleSoft ERP was selected for the Army's integrated personnel and pay system in part because of the ability to configure existing capabilities to meet FIAR standards. IPPS-A will

ultimately feed SFIS-compliant data to GFEBS for the Military Personnel Appropriation payroll and funded orders. IPPS-A will replace over 40 legacy personnel systems and discontinue the need for five DoD pay systems. Although IPPS-A is required to meet

FIAR Plan Status Report

auditability standards and will be audit ready at each release, it will not be deployed in time to support Army's FY 2015 audit readiness assertion for the SBA or for the full financial statement audit readiness assertion for FY 2018. Lessons learned from the FY 2015 SBA audit will help ascertain if the design and development of IPPS-A is in line with the requirements for a full financial statement

audit assertion. IPPS-A is being designed and developed to be compliant with FISCAM, FFMIA, SFIS, and BEA standards and will eliminate or assist in eliminating a number of the Army's material weaknesses. Current Army systems will continue to provide information for audit readiness until IPPS-A is ready to deploy.

IPSS-A Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
Statement of Budgetary Resources				
Contract Pay	22	0		
Supplies (MILSTRIP)	22	0		
Vendor Pay	22	0		
Reimbursable Work Order – Grantor	22	0		
Fund Balance with Treasury	29	0		
Appropriations Received	13	0		
Military Pay	18	18	09/2019	09/2019
Civilian Pay	11	0		
Reimbursable Work Order – Acceptor	7	0		
Other Budgetary Activity	18	0		
Financial Reporting	4	0		
Mission-Critical Assets Existence and Completeness				
General Equipment	10	0		
Real Property	10	0		
Operating Materials and Supplies	10	0		
Inventory	10	0		

DEPARTMENT OF THE NAVY

The DON has two ERPs impacting audit readiness:

- Navy ERP
- Global Combat Support System - Marine Corps/Logistics Chain Management Increment 1 (GCSS-MC/LCM Increment 1)

Navy ERP

Navy ERP is the financial system of record, providing reliable information for Navy leadership. Using sophisticated business management software, Navy ERP streamlines the Navy's business operations, namely financial and supply chain management. This enables the DON to be diligent stewards of taxpayer dollars while supporting the Navy's mission to "maintain, train and equip combat-ready naval forces capable of winning wars, deterring aggression and maintaining freedom of the seas."

Navy ERP developing and sustaining a business capability that enables the Navy business enterprise to budget, account for, and audit its resources so that it can monitor and make decisions about how the resources are obtained, allocated and utilized for the benefit of the warfighter, and the taxpayer.

The vision of Navy ERP is to provide the Navy with information technology services to manage its worldwide resources of people, supply, and financials. The integration of financial and supply solutions on a single platform provides real-time data access and decision support to the Navy enterprise.

Global Combat Support System - Marine Corps/Logistics Chain Management Increment 1

GCSS-MC/LCM Increment 1 is the Marine Corps ERP for logistics modernization. The ERP provides accurate, near real-time integrated logistics information and enterprise-wide visibility of logistics data, and enables Marines to make informed decisions about the logistics chain commensurate with the operational tempo.

Increment 1 is operationally employed across garrisons to deployed tactical environments with the MAGTF. Based on its internet protocol architecture and infrastructure, GCSS-MC/LCM Increment 1 services and applications are accessible to any authorized user from any computer in any operational environment. A supported unit is able to request and track the status of products (e.g., supplies, personnel, etc.) and services (e.g., maintenance, engineering) via an internet-based interface. The supporting unit, via GCSS-MC, has the ability to process requirements, request and track the status of inventory and maintenance from higher echelons and commercial vendors, and conduct tactical and operational Combat Service Support mission planning and execution functions, as well as conduct strategic and enterprise-level logistic and acquisition functions in support of the Marine Corps mission.

GCSS-MC/LCM Increment 1 operates in two modes regardless of environment (Garrison, Naval, and Expeditionary Tactical Networks): connected and disconnected. In the connected mode, users access the system via the internet. In the disconnected mode, the user is not able to connect to the enterprise servers via the internet. This will normally occur when on the move, in a forward position, or when acting as a maintenance contact team. In this case, the user can store supply and maintenance requests by using the Mobile Field Service (MFS) application and forward this data when an internet connection can be reestablished.

The key to sustaining logistics operations is the enhancement of asset visibility and supply accountability. Critical performance objectives include reduced logistics response, reduced customer wait time, and decreased dependence on forward positioned stocks. Commanders benefit from GCSS-MC/LCM Increment 1 due to the increased Logistics Chain intelligence vital to effective C2 functions.

Navy ERP

Overview

- Navy ERP was deployed in a single increment with two capability releases: 1) Financial and Acquisition Management, and 2) Wholesale and Retail Supply. As of 10/2012, deployments were complete, and the system is now in the Operations and Support phase of the Acquisition Lifecycle. To date, there are approximately 72,000 Navy ERP users.
- Navy ERP implemented a change management strategy including user training, communications, and on-site user support. Additionally, data-conversion risks were mitigated through legacy data cleansing, data conversions, and use of advanced data conversion tools.
- Navy ERP FISCAM Assessment Phases 1, 2, 3, and 4 were completed 12/2012, 02/2014, 02/2015, and 02/2016, respectively. FY 2015 SBA testing was completed 10/2015. Business process testing was conducted during phases 1 – 3, but was discontinued. Navy is focusing on closing outstanding FISCAM and SBA corrective actions, as indicated in the IT Controls table.
- Current challenges include skilled workforce capacity and program budget constraints.

Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date ¹	85
Legacy Systems Scheduled for Sunset ²	4
Legacy Systems Interfaced to Date	64
Legacy Systems to Be Interfaced ³	2

¹ As of 09/2016.

² Remaining FY 2015 – FY 2016 planned system requirements.

³ New interfaces required to support SCES and the universe of transactions.

Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	Completion
Research, Development, Test, and Evaluation	316.3	316.3
Procurement	73.1	73.1
Operations and Maintenance	430.1	430.1

Note: Cost includes acquisition program investment costs from program start (FY 2004) to full deployment (FY 2013) and does not include sustainment costs.

Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	✓	03/2017
Access	✓	11/2016
Configuration Management	✓	09/2016
Segregation of Duties	✓	01/2017
Contingency Planning	✓	02/2017
Completeness	*	*
Accuracy	*	*
Validity	*	*
Confidentiality	*	*
Availability	*	*

* Testing of the associated business process controls began during ERP FISCAM Assessment Phase I but has been discontinued. The original plan to continue testing these controls during the current phase has been placed on hold in order to prioritize resources on the closing of outstanding FISCAM corrective action plans.

FIAR Plan Status Report

Navy ERP Implementation Milestones and Audit Readiness Information (✓ = Completed)

Milestones	Functions	Completion	Percent of Total Budget Authority
Milestone A		✓	0
Milestone B		✓	0
Initial Operating Capability /Initial Deployment	General Ledger Management, Budgetary Resource Management, Payment Management, Receivables Management	✓	0
Milestone C	General Ledger Management, Budgetary Resource Management, Payment Management, Receivables Management, Cost Management, Fund Balance with Treasury Management	✓	0
Full Deployment Decision	General Ledger Management, Budgetary Resource Management, Payment Management, Receivables Management, Cost Management, Fund Balance with Treasury Management	✓	47
Full Deployment	General Ledger Management, Budgetary Resource Management, Payment Management, Receivables Management, Cost Management, Fund Balance with Treasury Management, Property Management	✓	~50 ¹

¹Navy ERP is the program of record at 6 Commands, representing approximately 50 percent of DON's Total Obligating Authority.

Navy ERP Financial Reporting Impact

The DON made a strategic decision to not deploy Navy ERP across the entire Navy command structure due to expectations and challenges associated with deployment to its ships and Fleet

activities. As a result, some efficiencies and cost savings in audit readiness and execution may not be achieved, due to managing multiple business processes and disparate financial systems. Regardless, the Navy intends to achieve auditability using multiple financial systems.

FIAR Plan Status Report

Navy ERP Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	# of Financial Reporting Activities Tested for ERP	Tested	Corrected
Statement of Budgetary Resources					
Contract Pay	29	20	20	✓	✓
Supplies (MILSTRIP)	29	20	7	✓	✓
Vendor Pay	29	20	20	✓	✓
Reimbursable Work Order – Grantor	29	29	5	✓	✓
Fund Balance with Treasury	14	12	12	✓	✓
Appropriations Received	5	4	4	✓	✓
Military Pay	13	0 ¹	0 ¹	N/A	N/A
Civilian Pay	13	12	9	✓	✓
Reimbursable Work Order – Acceptor	12	12	8	✓	✓
Other Budgetary Activity	8	0	0	✓	✓
Financial Reporting	10	10	10	✓	✓
Mission-Critical Assets Existence and Completeness					
Real Property	0	0 ²	N/A	N/A	N/A
Inventory	10	10	10	✓	✓
Operating Materials and Supplies	10	10	10	✓	✓
General Equipment	10	10	10	✓	09/2017

¹ Military Pay transactions are not processed within Navy ERP.

² iNFADS is the Accountable Property System Record for Real Property. NAVFAC does not plan to move Real Property to Navy ERP.

Global Combat Support System – Marine Corps/Logistics Chain Management Increment 1 (GCSS-MC/LCM Increment 1)

Overview

- GCSS-MC provides the core of a modern, web-enabled, centrally managed Logistics Chain Management enterprise systems.
- GCSS-MC/LCM Increment 1 is the ERP for supply and maintenance and 30+ logistics systems and applications outside of the ERP. It is the primary enabler for the Logistics Modernization strategy providing the backbone for all logistics information.
- GCSS-MC/LCM strategy includes Increment 1 and future planning for enterprise tools to provide software configuration for replacing existing LCM functions, master data repository, and Business Process Modeling to bring Platform as a Service to LCM.
- A Tactical Service Oriented Architecture is in place, Increment 1 Oracle ERP is in sustainment, and DPAS is adopted.

Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	Completion
Research, Development, Test, and Evaluation	307.9	307.9
Procurement	80.5	88.3
Operations and Maintenance	588.1	1,265.0

Note: To date cost as of 09/2015. Increment 1 cost at completion extends through FY 2025.

Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	5
Legacy Systems Scheduled for Sunset	4
Legacy Systems Interfaced to Date	47
Legacy Systems to Be Interfaced	0

Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	✓	✓
Access	✓	✓
Configuration Management	✓	✓
Segregation of Duties	✓	✓
Contingency Planning	✓	✓
Completeness	✓	✓
Accuracy	✓	✓
Validity	✓	✓
Confidentiality	✓	✓
Availability	✓	✓

FIAR Plan Status Report

GCSS-MC Implementation Milestones and Audit Readiness Information (✓ = Completed)

Milestones	Functions	Completion	Percent of Total Budget Authority
Milestone A		✓	6
Milestone B		✓	16
Milestone C	General Ledger Management, Budgetary Resources Management, Payment Management, Receivables Management	✓	0
Rel 1.1 – Limited Fielding Decision	General Ledger Management, Budgetary Resources Management, Payment Management, Receivables Management	✓	0
Rel 1.1 – Continued Fielding Release 1.1	General Ledger Management, Budgetary Resources Management, Payment Management, Receivables Management	✓	0
Rel 1.1.1 – Limited Release for FOT&E	General Ledger Management, Budgetary Resources Management, Payment Management, Receivables Management	✓	0
Full Deployment Decision	General Ledger Management, Budgetary Resources Management, Payment Management, Receivables Management	✓	30
Full Deployment	General Ledger Management, Budgetary Resources Management, Payment Management, Receivables Management	✓	2
Sustainment (FY 2025)	General Ledger Management, Budgetary Resources Management, Payment Management, Receivables Management	FY 2025	46

FIAR Plan Status Report

GCSS-MC Financial Reporting Impact

GCSS-MC/LCM Increment 1 achieved Full Deployment on December 23, 2015. The system is refreshing to the Oracle 12 e-Business Suite in 2016 for implementation Quarter 1 of FY 2017. The USMC uses DPAS for military equipment valuation and reporting of military equipment capitalized assets in USMC financial statements.

Inventory balance and valuation of OM&S is transferred from Increment 1 to the Marine Corps financial system of record, Standard Accounting Budgeting and Reporting System (SABRS), via the General Ledger Journal Funds Check interface.

DPAS accounts for General Property, Plant, and Equipment, and Increment 1 will report military equipment capitalized assets. This capability will be satisfied with the development of inventory valuation for fixed assets or by use of the DPAS.

The GCSS-MC/LCM Increment 1 represents a significant step forward, both in terms of its capability to address the spectrum of logistics chain functionality and its organizational impact across the Marine Air Ground Task Forces and USMC supporting establishment.

GCSS-MC Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
Statement of Budgetary Resources				
Contract Pay	29	0		
Supplies (MILSTRIP)	29	19	✓	✓
Vendor Pay	29	0		
Reimbursable Work Order – Grantor	29	0		
Fund Balance with Treasury	14	0		
Appropriations Received	17	0		
Military Pay	13	0		
Civilian Pay	13	0		
Reimbursable Work Order – Acceptor	12	0		
Other Budgetary Activity	8	0		
Financial Reporting	10	0		

FIAR Plan Status Report

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
Mission-Critical Assets Existence and Completeness				
Military Equipment	10	N/A	N/A	N/A
Real Property	10	N/A	N/A	N/A
Inventory	10	N/A	N/A	N/A
OM&S	10	10	✓	✓
General Equipment	10	N/A	N/A	N/A

Note: The corrective action plans and associated plan of action and milestones for deficiencies have been developed for FISCAM. GCSS-MC/LCM Increment 1 program management office is updating Installations and Logistics on the remediation efforts for MILSTRIP monthly.

DEPARTMENT OF THE AIR FORCE

The Air Force ERPs are:

- Defense Enterprise Accounting and Management System (DEAMS)
- Air Force Integrated Personnel and Pay System (AF-IPPS)

Defense Enterprise Accounting and Management System

DEAMS is an automated accounting and financial management execution system for the Air Force General Funds and U.S. Transportation Command. DEAMS serves as the target core financial system for all Air Force financial and mixed financial system modernization and development programs. It provides the Air Force with a SFIS and USSGL compliant core accounting system.

DEAMS is currently deployed to half of its expected user base of 22,800 and is operating at 114 Active, Reserve, and Air National Guard locations. Software releases in FY 2016 and FY 2017 will enable deployments to overseas locations and provide major acquisition program functionality to support the remaining deployments.

DEAMS achieved initial operating capability in May 2015 and continues with deployments across the Air Force consistent with its limited deployment decision.

Air Force Integrated Personnel and Pay System

AF-IPPS will be a web enabled, Commercial-Off-the-Shelf (COTS)-based solution that will integrate many military personnel and pay processes into one self-service system, enabling maintenance of a single authoritative member record for human resources and military pay. A FFMIA-compliant system, AF-IPPS functionality will support audit readiness general and application controls. A Full Deployment Decision is projected for Quarter 1 of FY 2019.

In June 2015, a small dedicated team started an expedited service development and delivery process to verify requirements and evaluate two AF-IPPS courses of action. Results and recommendations were presented to the Secretary of the Air Force in December 2015, resulting in approval to proceed with a revised strategy consisting of the use of Oracle EBS instead of People Soft for integration of pay within the existing AF-MilPDS system. Final approval of this revised strategy is pending an OUSD(AT&L) review.

Defense Enterprise Accounting and Management System (DEAMS)

Overview

- DEAMS is an automated accounting and financial management execution system for the Air Force and USTRANSCOM.
- Compliant with laws, regulations, and policies; permits response to statutory, regulatory, and policy changes; enables audit opinions; supports assurances on internal controls; assists in resolving material weaknesses; and supports analysis of financial events.
- The deployment strategy is phased by Major Command and base location.
- Delivered capability for procure-to-pay, order-to-cash, billing, and project accounting, including a transaction-based general ledger to six Air Force Major Commands and USTRANSCOM as of 03/2016.

Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	Completion
Research, Development, Test, and Evaluation	483.1	560.7
Procurement	24.4	31.4
Operations and Maintenance	73.0	117.4
Transportation Working Capital Fund – Capital	115.3	145.2
Transportation Working Capital Fund – Operating	12.7	12.7

Note: Program acquisition costs by appropriation for Increment 1. At Completion does not include 10 years of sustainment costs. Based on approved SCP, February 2015.

Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	1
Legacy Systems Scheduled for Sunset	6*
Legacy Systems Interfaced to Date	39
Legacy Systems to Be Interfaced	64

Source: Systems Requirements Document version 1.11 (01/2015).

*DEAMS will subsume functionality for Air Force General Funds and Transportation Working Capital Fund transactions. Actual system sunset is dependent on legacy transaction burn-down/conversion and additional enterprise solutions.

Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	✓	✓
Access	✓	✓
Configuration Management	✓	✓
Segregation of Duties	✓	✓
Contingency Planning	✓	✓
Completeness	✓	12/2016
Accuracy	✓	✓
Validity	✓	✓
Confidentiality	✓	✓
Availability	✓	✓

FIAR Plan Status Report

DEAMS Implementation Milestones and Audit Readiness Information

Milestones	Functions	Completion	Percent of Total Budget Authority
Milestone A		04/2005	0
Milestone B	General Ledger Management, Budgetary Resource Management, Payment Management, Receivable Management	01/2012	2
Full Deployment Decision	General Ledger Management, Budgetary Resource Management, Payment Management, Receivable Management, Fund Balance with Treasury (General Fund)	02/2016	26
Full Deployment	General Ledger Management, Budgetary Resource Management, Payment Management, Receivable Management, Fund Balance with Treasury (General Fund)	10/2016	100 ¹

¹ Represents 100 percent of current year unclassified Air Force General Fund Budget Authority based on the FY 2015 initial distribution.

DEAMS Financial Reporting Impact

DEAMS is a financial management system using standardized, transaction-based, SFIS-compliant data. DEAMS will serve as the core accounting system for the Air Force General Fund and elements of the Transportation Working Capital Fund. It will pass USSGL-compliant trial balance data directly to DDRS for financial reporting.

DEAMS addresses current financial management challenges, including system capability to enable resolving material weaknesses; improving timeliness and accuracy of financial management information; supporting consistent financial reporting to the Department while enabling business process reengineering.

FIAR Plan Status Report

DEAMS Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
Statement of Budgetary Resources				
Contract Pay	30	30	✓	✓
Supplies (MILSTRIP)	29	29	✓	✓
Vendor Pay	6	6	✓	✓
Reimbursable Work Order – Grantor	29	29	✓	✓
Fund Balance with Treasury	32	7	✓	✓
Appropriations Received	4	4	✓	✓
Military Pay	13	0	N/A	N/A
Civilian Pay	13	10	✓	✓
Reimbursable Work Order – Acceptor	12	12	✓	✓
Other Budgetary Activity	8	8	✓	✓
Financial Reporting	50	50	✓	✓
Mission-Critical Assets Existence and Completeness				
General Equipment	0	0	N/A	N/A
Real Property ¹	10	3	09/2016	TBD
Inventory	10	0	N/A	N/A
OM&S	10	0	N/A	N/A
General Equipment ²	10	3	09/2016	TBD

Notes: Military Equipment assessable unit has been replaced by General Equipment assessable unit. TBDs cannot be determined until testing is completed, which may be incorporated in the IPA SBA audit.

¹ Real Property date is estimated and is dependent on interfaces with new real property IT system (NexGenIT) to be deployed.

² General Equipment date is estimated and applies to Transportation Working Capital Fund only.

Air Force – Integrated Personnel and Pay System (AF-IPPS)

Overview

- Web-enabled COTS-based solution integrating military HR and pay systems for the Total Force, consisting of approximately 550,000 AF active, guard and reserve members.
- Full deployment decision is currently projected for Quarter 1 of FY 2019, aligned with the revised strategy decision by SECAF in December 2015 to integrate pay within the existing AF HR system (MilPDS) utilizing Oracle EBS.
- AFIPPS will subsume the functionality currently performed by the AF instance of DJMS/AC and RC for MilPay transactions.
- Technical challenges include network architecture constraints, data management, interface integration, common-infrastructure governance and synchronization between AFIPPS implementation and other Air Force systems.

Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	TBD
Legacy Systems Scheduled for Sunset	TBD
Legacy Systems Interfaced to Date	TBD
Legacy Systems to Be Interfaced	TBD

Note: AF-IPPS Systems Requirement Document (SRD) is under development based on the revised strategy. Legacy system requirements will be identified within the new SRD, projected for completion in June 2016.

Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	Completion
Research, Development, Test, and Evaluation	175.8	356.3
Procurement	--	9.1

Note: Completion costs (FY 2016 – FY 2021) based on AF-IPPS Program Office ROME, 02/2016.

Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	TBD	TBD
Access	TBD	TBD
Configuration Management	TBD	TBD
Segregation of Duties	TBD	TBD
Contingency Planning	TBD	TBD
Completeness	TBD	TBD
Accuracy	TBD	TBD
Validity	TBD	TBD
Confidentiality	TBD	TBD
Availability	TBD	TBD

Note: AF-IPPS is an unbaselined MAIS program. Information Technology Controls will be tested post contract award.

FIAR Plan Status Report

AF-IPPS Implementation Milestones and Audit Readiness Information

Milestones	Functions	Completion	Percent of Total Budget Authority
Payroll Integration	<u>Deploys the following capabilities:</u> <ul style="list-style-type: none"> • Payroll Integration within existing Human Resource System • Generate Airman Payroll • Integrate with Disbursing and Accounting Systems • Interface with Required Systems • Self-Service Actions for Airmen • Reduced Pay Errors 	11/2019	100%

Note: AF-IPPS is a unbaselined MAIS program. Implementation milestones and audit readiness information will be baselined at Milestone B.

AF-IPPS Financial Reporting Impact

AF-IPPS will be a financial feeder system to DEAMS that will produce SFIS-compliant data. AF-IPPS will replace two major legacy systems, DJMS/AC and DJMS/RC, and integrate with the existing human resource system, MilPDS. AF-IPPS will interface with a number of other legacy personnel and pay systems. Lessons

learned from the audit of legacy systems will be incorporated into the development of AF-IPPS requirements. AF-IPPS is an Air Force Total Force application and is connected to the overall Air Force FIAR Plan.

FIAR Plan Status Report

AF-IPPS Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
Statement of Budgetary Resources				
Contract Pay	0	0		
Supplies (MILSTRIP)	0	0		
Vendor Pay	0	0		
Reimbursable Work Order – Grantor	0	0		
Fund Balance with Treasury	0	0		
Appropriations Received	0	0		
Military Pay	13	6	TBD	TBD
Civilian Pay	0	0		
Reimbursable Work Order – Acceptor	0	0		
Other Budgetary Activity	0	0		
Financial Reporting	0	0		
Mission-Critical Assets Existence and Completeness				
Military Equipment	0	0		
Real Property	0	0		
Inventory	0	0		
Operating Materials and Supplies	0	0		
General Equipment	0	0		

Note: Testing dates will be determined as the AF-IPPS schedule matures.

OTHER DEFENSE ORGANIZATIONS

The Defense Agencies Initiative (DAI) is modernizing the business environment at many of the Defense Agencies and other Defense organizations. The DAI objective is to achieve and sustain an auditable business environment with accurate, timely, authoritative financial data. The primary goal is to deploy a standardized system to improve cost of ownership, financial management capability, and achieve and maintain compliance with the Department's Business Enterprise Architecture and Standard Financial Information Structure.

To date, 16 Defense organizations have implemented DAI:

- Defense Acquisition University (DAU)
- Defense Applied Research Projects Agency (DARPA)
- Defense Contract Management Agency (DCMA)
- Defense Health Agency (DHA)
- Defense Media Activity (DMA)
- Defense Micro Electronics Agency (DMEA)
- Defense POW/MIA Accounting Agency (DPAA)
- Defense Security Cooperation Agency (DSCA) – Time and Labor only
- Defense Security Service (DSS)

- Defense Technical Information Center (DTIC)
- Defense Technology Security Administration (DTSA)
- Defense Threat Reduction Agency (DTRA)
- DoD Educational Activity (DoDEA)
- Missile Defense Agency (MDA)
- Office of Economic Adjustment (OEA)
- Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) – Time and Labor only
- Uniformed Services University of the Health Sciences (USU)

An additional 6 Defense organizations will deploy DAI:

- FY 2017
 - Defense Human Resources Activity (DHRA)
 - Defense Operational Test and Evaluation (DOT&E)
 - Defense Security Cooperation Agency (DSCA)
 - DoD Office of the Inspector General (DoD OIG)
- FY 2018
 - Defense Commissary Agency (DeCA)
 - Defense Contract Audit Agency (DCAA)

Defense Agencies Initiative (DAI)

Overview

- DAI is the primary accounting system used by 16 Defense Agencies and other Defense organizations, with additional deployments scheduled in FY 2017 and FY 2018.
- An end-to-end FFMIA assessment was conducted that included a third party assessment of results. In FY 2013 (Release 11.5.10), DAI was 88 percent compliant. In FY 2014 (R11.5.10), DAI was 93 percent compliant. In FY 2015, with the upgrade to Release 12.2.3, DAI achieved 97 percent compliance.
- By full deployment in 2018, DAI's Enterprise Global Model will also include Grants Financial Management, Governance Risk and Compliance tools, Treasury Disbursing, Budget Formulation, and Working Capital Fund.
- An unqualified opinion on an SSAE No. 16 examination was received for the period 10/2014 – 06/2015.

Impact on Legacy Systems

Legacy Systems Environment	# of Systems
Legacy Systems Sunset to Date	1
Legacy Systems Scheduled for Sunset	3
Legacy Systems Interfaced to Date	21
Legacy Systems to Be Interfaced	0

Note: DAI replaces, interfaces with, or subsumes functionality of ODO legacy systems. Complete shutdown of an ODO legacy system is determined by the system owner.

Program Cost (Dollars in Millions)

Program Cost by Appropriation	To Date	Completion
Research, Development, Test, and Evaluation	330.0	392.5
Procurement	1.5	1.5
Operations and Maintenance	13.4	757.7

Note: Program costs include DAI Increment 1 and Increment 2.

Information Technology Controls (✓ = Completed)

Controls	Tested	Corrected
Security Management	✓	✓
Access	✓	✓
Configuration Management	✓	✓
Segregation of Duties	✓	✓
Contingency Planning	✓	✓
Completeness	✓	✓
Accuracy	✓	✓
Validity	✓	✓
Confidentiality	✓	✓
Availability	✓	✓

FIAR Plan Status Report

DAI Implementation Milestones and Audit Readiness Information

Milestones	Functions	Completion	Percent of Total Budget Authority
Milestone A ACAT III		✓	N/A ¹
Deployment	Deployed to Business Transformation Agency as a pilot with several capabilities: Procure to Pay, Budget to Report, Cost Accounting, Order to Cash, Acquire to Retire; as well as Time and Labor*	✓	N/A ¹
Deployment	Deployed to Defense Technology Information Center as a pilot with a maturation of these capabilities	✓	N/A ¹
Milestone B ACAT III		✓	N/A ¹
Deployment	Deployed to Missile Defense Agency and Uniformed Services University of the Health Sciences with a further maturation of these capabilities	✓	N/A ¹
Initial Operating Capability	Includes maturation of the pilot agencies' initial capabilities: Procure to Pay, Budget to Report, Cost Accounting, Order to Cash, Acquire to Retire; Time and Labor	✓	N/A ¹
Deployment	Deploy to four agencies with maturation of Initial Operating Capabilities and agency requirements	✓	N/A ¹
Deployment	Deploy to four agencies with additional maturation of Initial Operating Capabilities and agency requirements	✓	N/A ¹
Increment 2 Materiel Development Decision / Authorization to Proceed	Designated DAI as an MAIS program comprised of Increments 1 and 2; placed Increment 1 into sustainment and determined Increment 2 would provide at least the following new or enhanced capabilities: working capital fund accounting, budget formulation, grants financial management, resale accounting, time and labor process automation, and procure-to-pay efficiency through contract lifecycle management	✓	N/A ¹
Milestone B	Authorized development of Increment 2, Release 1, the technology upgrade of existing DAI agencies to Oracle Release 12	✓	N/A ¹
Release 1	Upgrade Oracle Release 11.5.10 to Release 12 to existing agencies	✓	55 ²
Limited Fielding Decision / Release 2	Deploy to four additional agencies with the following additional capabilities: grants financial management and governance, risk and compliance automation	✓	74 ²

FIAR Plan Status Report

Milestones	Functions	Completion	Percent of Total Budget Authority
Release 3	Deploy to four agencies with additional capabilities: budget formulation and treasury disbursing.	10/2016	97 ²
Release 4	Deploy to two additional agencies with additional capabilities: resale accounting and Defense Working Capital Fund.	10/2017	100 ²
Full Deployment Decision	Represents full production readiness of DAI Increment 2 capability to include grants financial management, GRC automation, treasury disbursing, budget formulation, resale accounting and defense working capital fund. Other functional improvements will include expanded integration of time and labor and enterprise funds distribution processes.	10/2017	100 ²
Full Deployment	There are no more capabilities to deploy; DAI Increment 2 will go into sustainment.	09/2018	100 ²

¹ N/A as Increment 1 will be subsumed when Increment 2, Release 1 deploys in May 2015. Increment 1 was an unbaselined program.

² Release 1 of Increment 2 is a technology upgrade of existing Increment 1 agencies that support over half the total budget authority for agencies in-scope of the DAI program. Upon completion of Release 4, 100 percent of the total budget authority of the DAI agencies in-scope will be included, which will represent approximately 55 percent of total TI-97 General Funds (except trust funds).

FIAR Plan Status Report

DAI Status of Financial Reporting Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Financial Reporting Objectives for Assessable Units	# of Financial Reporting Objectives Planned for ERP	Tested	Corrected
Statement of Budgetary Resources				
Contract Pay	29	29	✓	✓
Supplies (MILSTRIP)	29	0		
Vendor Pay	29	29	✓	✓
Reimbursable Work Order – Grantor	29	29	✓	✓
Fund Balance with Treasury	14	14	✓	✓
Appropriations Received	5	5	✓	✓
Military Pay	13	0		
Civilian Pay	13	13	✓	✓
Reimbursable Work Order – Acceptor	12	12	✓	✓
Other Budgetary Activity	8	8	✓	✓
Financial Reporting	10	83	✓	✓
Mission-Critical Assets Existence and Completeness				
Military Equipment	10	6	09/2016	11/2016
Real Property	10	6	09/2016	11/2016
Inventory	10	0		
OM&S	10	0		
General Equipment	10	6	09/2016	11/2016

Appendix 1. HASC Panel on Defense Financial Management and Auditability Reform Recommendations

The House Armed Services Committee (HASC) Panel on Defense Financial Management and Auditability Reform concluded its review of the DoD financial management and audit readiness activity on January 24, 2012. The review was initiated to oversee the Department's capacity for providing timely, reliable, and useful information for decision-making and reporting. The six-month HASC Panel review included holding eight hearings that covered a broad range of DoD financial management issues, with representatives from the Defense Department, GAO, and the private sector.

The HASC Panel issued a report summarizing its findings and providing recommendations to the Department. The report and recommendations were divided into four categories:

1. Financial Management and Audit Readiness Strategy and Methodology
2. Challenges to Achieving Financial Management Reform and Auditability
3. Financial Management Workforce
4. Enterprise Resource Planning System Implementation Efforts

In 2015, the GAO reviewed the status of the Department's actions to implement the HASC Panel's recommendations. The report, "DoD Financial Management: Continued Actions Needed to Address Congressional Committee Panel Recommendations," GAO-15-463, was issued September 28, 2015. The report stated the Department had made progress on the 29 recommendations and had met 6 of the panel's recommendations. Nineteen of the recommendations had been partially met. Since the GAO report and the November 2015 FIAR Plan Status Report, the Department has determined four recommendations previously cited as partially met have been met (1.1, 2.2, 2.3, and 2.9). Of the panel's 29 recommendations, 10 have been met.

Figures A2-1, A2-2, A2-3, and A2-4 list the HASC Panel recommendations and the status of DoD actions and plans. Status is described as met or partially met. GAO defines each as:

- Met – No significant actions need to be taken to further address the recommendation
- Partially Met – Some, but not all, actions necessary to address the recommendation have been taken

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Figure A2-1. DoD Actions on FIAR Strategy and Methodology Recommendations

HASC Panel Recommendations		Status	DoD Actions Taken and Planned
FIAR STRATEGY AND METHODOLOGY			
1.1	The Department's FIAR strategy for Wave 4 (Full Audit Except for Legacy Asset Valuation) should include a complete analysis of interdependencies among Waves 1 – 3 and Wave 4.	Met	Sections 2.B.2 and 2.C.4.3 of the April 2015 FIAR Guidance included additional interdependencies and examples that addressed all material Wave 4 financial statement lines and how those lines reconciled to other waves. Subsequent updates to the FIAR Guidance will include this information.
1.2	The Department should establish a DoD Financial Reporting element, or wave, that includes a process for consolidating the components' financial information into the DoD's agency-wide financial statements. The Department should report this element's audit readiness progress in the FIAR Plan Status Report.	Partially Met	DDRS is the reporting system that produces consolidated, agency-wide financial statements and budgetary reports for the Military Services and Defense Agencies. All Defense Agencies have migrated to DDRS. An SSAE No. 16 examination in FY 2015 resulted in a modified opinion with qualified explanatory language. The Department is addressing the SSAE No 16 findings and implementing corrective actions. Additionally, the Department's consolidated audit strategy addresses how audits of the individual DoD Components will come together to support the DoD-wide audit. The Department is currently working with the Components and the Department of Treasury on implementing IPP, a Government-wide solution to address intragovernmental elimination entries.

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HASC Panel Recommendations		Status	DoD Actions Taken and Planned
1.3	The DoD should re-evaluate its position on accepting historical asset costs when the Department nears auditability on its financial statements in light of certain allowances in federal accounting standards. The findings of a re-evaluation may support the development of an audit readiness strategy for valuing legacy asset balances.	Partially Met	<p>The Department re-evaluated its position on historical asset costs, and in January 2015, established four working groups comprising members of OUSD(AT&L), OUSD(C), DoD CIO, Military Departments, and Defense Agencies. The working groups identified policy gaps and barriers to asset valuation auditability and developed solutions and implementation guidance.</p> <p>In addition, the Department has been working with FASAB to change accounting standards to better address DoD-unique financial reporting challenges. The new standards, as drafted, will allow the Department to use additional alternate methodologies to determine the historical costs of General Equipment, Real Property, and Inventory and Related Property. Another standards change simplified identifying and valuing the Internal Use Software. These changes greatly decrease the time and resources needed to establish auditable opening balances. The Department is working on establishing and implementing the updated policies for estimating asset values.</p>
1.4	The Department should: (1) analyze the causes of FIAR Plan implementation difficulties; (2) develop and implement corrective action plans to address identified weaknesses or deficiencies; and (3) develop a communications plan to circulate any resulting lessons-learned throughout the Department.	Partially Met	<p>The FIAR Directorate continues to support and monitor Components under audit or examinations. Implementation across the Department is challenging as it requires changing those processes that DoD is accustomed to performing. As a result, there is a change management exercise that leadership across the organization is working through. To drive change and accountability, the FIAR goals are now embedded as a part of all SES-level performance goals.</p> <p>Additionally, the FIAR Directorate is deploying a tracking tool to facilitate monitoring and tracking of NFRs and corrective actions. The tool is also a medium for sharing lessons learned.</p>

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HASC Panel Recommendations		Status	DoD Actions Taken and Planned
			The Department promotes sharing of lessons learned and best business practices, which are communicated during FIAR Governance Board, FIAR Committee, and FIAR Sub-Committee meetings, working groups, and other forums.
1.5	The Under Secretary of Defense (Comptroller) (USD(C)), in consultation with the Deputy Chief Management Officer (DCMO) of the Department of Defense, the secretaries of the military departments, and the heads of the defense agencies and field activities, should incorporate risk mitigation plans to support the meeting of future interim milestones in the FIAR Plan.	Partially Met	<p>The Department is executing a four-pronged approach to address risk management:</p> <ol style="list-style-type: none"> 1) Identified audit readiness deal-breakers by reviewing past audits, using the experience of IPA firms, and analyzing the results from quality assurance reviews of assertion packages. 2) Defined the critical path for achieving full financial statement auditability for FY 2018. Tasks and milestones have been included in the FIAR Guidance and the semiannual FIAR report. 3) Reinforced the importance of internal controls over areas of significant risk by updating the FIAR Guidance with a new chapter dedicated to internal controls and by deploying an NFR tracking tool to monitor corrective actions. 4) Identified, tracked, and reported on financial reporting deficiencies that require corrective actions in the Component's FY 2015 Annual Statement of Assurance.
1.6	The FIAR Governance Board should attest to whether the DoD is on track to achieve audit readiness in 2017 in each FIAR Plan Status Report.	Partially Met	The Department requires the FIAR Governance Board cochairmen, the directors of four service providers, and the chief management officers for the Military Departments to each submit a message for inclusion in the semiannual FIAR Plan Status Report stating their commitment to achieving audit readiness by 2017. Additionally, the FIAR Governance Board members coordinate on all FIAR Plan Status Reports, attesting to the accuracy and completeness of the report's content.

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Figure A2-2. DoD Actions on Challenges To Achieving Financial Management Reform and Auditability Recommendations

HASC Panel Recommendation	Status	DoD Actions Taken and Planned
CHALLENGES TO ACHIEVING FINANCIAL MANAGEMENT REFORM AND AUDITABILITY		
2.1	The Department should include objective and measurable criteria regarding FIAR-related goals in its senior personnel performance plans and evaluations. Performance evaluated on the basis of such criteria should be appropriately rewarded or held accountable. Evaluated performances should be documented and tracked to measure progress over time.	Partially Met
On April 9, 2013, the Deputy Secretary of Defense issued a memorandum stating, “most, if not all, DoD executives play a role in the Department achieving audit readiness,” and requiring all Senior Executive Service Performance Plans to be updated by April 30, 2013. Department leaders are continuing to discuss actions that need to be taken to determine the appropriate method for rewarding executives based on evaluated performance for FIAR-related goals or assess the effect on accomplishing FIAR activities by tracking evaluated performances over time.	2.2	To improve oversight of the FIAR effort, the Department should require each DoD component senior executive committee to review its corresponding component’s audit readiness assertion packages for compliance with the FIAR Guidance prior to submission of those packages to the OUSD(C) for validation.
Met	Past versions of the FIAR Guidance required audit readiness management assertions to be signed by the responsible management representative of the organization responsible for the subject matter. The April 2016 FIAR Guidance was updated to require signatures from senior executives in charge of both the financial and relevant functional areas for assertions.	2.3
The Department should develop comprehensive corrective action plans to address existing material weaknesses and those identified during the FIAR effort.	Met	Components that undergo examinations or audits are required to develop and implement corrective action plans. The Department is deploying an NFR tracking tool to facilitate monitoring and tracking of NFRs and corrective actions. The OUSD(C) also assists the Components with developing corrective action plans and testing the effectiveness of controls necessary to support audit.

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HASC Panel Recommendation		Status	DoD Actions Taken and Planned
2.4	To reduce improper payments, the Department should re-evaluate its methodology for identifying and reporting improper payments.	Partially Met	<p>The Department continues to review methodologies for reducing improper payments. For example, DFAS re-evaluated and enhanced its Commercial Payment statistical sampling methodology to identify improper payments. In addition, the OUSD(C) reviewed the DFAS revised sampling methodology for commercial pay to ensure it meets or exceeds the minimum annual requirements in accordance with the DoD Financial Management Regulation. Also, DHA developed procedures to assess internal low-dollar claim reviews in accordance with Office of Management and Budget guidance.</p> <p>The other seven programs that report improper payments in the DoD Annual Financial Report are reviewing their methodologies for identifying improper payments and, if warranted, will change their sampling plans. Those seven programs are DFAS – Military Pay, Civilian Pay, Military Retirement, and Travel Pay; USACE – Commercial Pay and Travel Pay; and Navy ERP commercial payments.</p>
2.5	<p>To reduce Anti-Deficiency Act violations, the Department should:</p> <ul style="list-style-type: none"> • Perform an analysis of the causes for its ADA violations and then develop and implement procedures to address identified causes. • Ensure that key funds control personnel are adequately trained to prevent, detect, and report ADA violations. 	Met	<p>The Department identified the most frequent causes of its Anti-Deficiency Act violations and issued guidance on tracking and reporting Anti-Deficiency Act violations.</p> <p>The Department also requires the Military Departments and Components to review and evaluate training records to ensure personnel certifying and handling funds have financial management and fiscal law training.</p>

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HASC Panel Recommendation		Status	DoD Actions Taken and Planned
2.6	To reduce problem disbursements, the Department should address the underlying causes of problem disbursements in its efforts to develop and implement ERPs.	Partially Met	Analyses will be performed on a recurring basis until the Department is able to replace legacy systems with ERP systems. Such analyses assist in identifying root causes of problem disbursements and implementing corrective actions. Additionally, OUSD(C) and DFAS are jointly updating metrics to better track progress in reducing problem disbursements.
2.7	The Department should identify and institutionalize best practices, as applicable, throughout the DoD to reinforce the full engagement of those functional communities outside of the financial management community in audit readiness efforts.	Partially Met	<p>The Department uses FIAR Governance Board and FIAR Committee meetings to engage all relevant functional communities to discuss challenges and best practices. Best practices are shared among the Components, such as:</p> <ul style="list-style-type: none"> • OUSD(C) solution to be used by the Military Departments for valuing existing real property assets (deflated Plant Replacement Value). • Army use of an Air Force environmental liability cost estimation tool. • Navy developed audit response tool being implemented by the Army and Air Force. • Air Force developed Fund Balance with Treasury reconciliation tool being implemented by the Navy.
2.8	The Department should develop a forum in which the military commands can share lessons learned from their respective audit readiness efforts.	Met	Military Departments and Defense Agencies regularly share lessons learned within their organization through various forums, such as newsletters, quarterly reviews, and stakeholder meetings. FIAR Subcommittee, FIAR Committee, FIAR Governance Board meetings, and weekly FINOPs meetings specifically dedicated to the MILDEPs act as forums for sharing information external to a Component.

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HASC Panel Recommendation		Status	DoD Actions Taken and Planned
2.9	The DoD Comptroller should include milestones along with the status of DoD financial service provider efforts to achieve effective controls over the major processes that affect DoD customers in the FIAR Plan Status Reports. These milestones should be consistent with the customer organizations' audit readiness milestones.	Met	Service provider audit readiness milestones and the status and plans for SSAE No 16 examinations are reported to OUSD(C) and briefed at the FIAR Committee and FIAR Governance Board meetings every 60 days. Status is also reported in the semiannual FIAR Report. In addition, the OUSD(C) and Components monitor service provider milestones, progress, and challenges during Service Provider Working Group meetings.

Figure A2-3. DoD Actions on Financial Management Workforce Recommendations

HASC Panel Recommendation	Status	DoD Actions Taken and Planned
FINANCIAL MANAGEMENT WORKFORCE		
<p>3.1 The Department should assess its financial management workforce and that of all other functional areas performing financial management-related functions regarding:</p> <p>(1) critical skills and competencies of the existing civilian employee workforce; (2) critical skills and competencies that may be needed over the next decade; (3) gaps between current requirements and existing workforce competencies; and (4) gaps between projected requirements and existing workforce competencies. The assessment should include federal civilian, military, and contracted personnel performing financial management-related functions.</p>	<p>Partially Met</p>	<p>The Department has made significant progress in assessing the financial management workforce and is taking a phased approach:</p> <p>Phase 1 (Completed May 2014): Assessment of civilians in the mission-critical occupational series.</p> <p>Phase 2 (Completed May 2015): Assessment of civilians in the non-mission critical occupational series.</p> <p>Phase 3: Assessment of the financial Military workforce. The OSD Functional Community Manager (OFCM) for financial management reviewed the legislative requirement to conduct military competency skills gap analysis, as required by the National Defense Authorization Act for FY 2012 (Public Law 112-81), Sect 1053 and Sect 1599d. Additionally, the OFCM engaged in discussions with the Deputy Assistant Secretary of Defense for Military Personnel Policy, Office of the Under Secretary of Defense for Personnel and Readiness, and the three Military Department Component functional community managers for financial management.</p> <p>System Change Requests for improving the current Defense Competency Assessment Tool (DCAT) for future mission-critical occupational series and mission-critical occupational assessments were submitted to DCPAS. The process the tool uses for identifying proficiency targets does not support the identification of the proficiency level required for each financial management workforce member based on their designated</p>

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HASC Panel Recommendation	Status	DoD Actions Taken and Planned
		<p>DoD Financial Management Certification level. The targets should reflect the required proficiency level of the employees versus the proficiency targets chosen by the supervisors. These system changes will identify the proficiency targets by pre-loading the proficiency level targets. However, in February 2016, DCPAS announced that no changes will be incorporated into DCAT until Phase 4.</p> <p>Additionally, the three military financial management communities are preparing detailed outlines of the training and professional development programs for their respective financial management military members. These detailed outlines will layout the embedded competency assessment process for financial management military members. The embedded military competency assessment processes satisfy the requirement for competency assessment, gap assessments, and future projections for competency identification and gap analysis.</p> <p>Phase 4: The OFCM continues to research the feasibility of assessing the civilian financial management workforce in other functional areas. Per Public Law 112-81, the legislative requirement for financial management is to assess the civilian and military workforce. The HASC Panel recommendation included an additional requirement to assess the competencies of contractor personnel performing financial management functions. However, assessing the competencies of contractor personnel performing financial management-related functions is outside the scope of responsibility and authority of the financial management community.</p>

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HASC Panel Recommendation		Status	DoD Actions Taken and Planned
3.2	The Department should utilize the expertise of CPAs with financial statement audit experience in its audit readiness efforts as conducted by the federal civilian workforce or contracted personnel, as appropriate.	Met	The OUSD(C) and most Components retain CPAs with financial audit experience as contractor support staff. The CPAs provide audit experience to financial improvement and audit readiness activities and help the Department prepare for audits. The CPAs also recommend and assist in implementing best business practices used in the private sector.
3.3	The Department should develop and implement effective financial training programs for personnel serving in functional communities outside of the financial management community.	Met	<p>The Department developed 73 web-based financial management courses. The web-based course inventory includes several FIAR courses, which are available to DoD functional communities including financial managers. These courses provide credit toward the DoD Financial Management Certification Program at levels 1, 2, and 3. The courses are available via the FM myLearn website to the functional communities with a Common Access Card.</p> <p>FM members are required to complete a course evaluation upon concluding any OUSD(C) developed course. Evaluations are reviewed monthly, and comments collected and analyzed. The Department uses evaluation scores and comments to assess training effectiveness. The overall cumulative course evaluation score has been consistently above 4.0 on a 5-point scale.</p>
3.4	The Department should develop and implement effective ERP training programs for personnel within and outside of the financial management community who utilize, or will be expected to utilize, an ERP system in their day-to-day operations. In developing these training programs, the Department should implement lessons learned from previous training provided to ERP users.	Met	<p>Training exists for all ERP systems. Training programs are coordinated with the ERP Component system-owner and the Component's financial management office.</p> <p>The Army Financial Management Office oversees each of the Army's financial ERP systems and works closely with system integrators to develop online and in-person training materials. As training products evolved from ERP deployment to sustainment modes, including the creation of training products</p>

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HASC Panel Recommendation		Status	DoD Actions Taken and Planned
			<p>by the Army Financial Management School form the core of formal curriculum, many lessons learned were incorporated.</p> <p>The Navy Financial Management Office works with the Navy ERP program office to enhance training capabilities for Navy ERP. Navy ERP requires several web-based training modules to be completed prior to obtaining access to financial roles, and has enhanced knowledge sharing capabilities through automated tools that offer detailed content. In addition, Command- and field-level Navy ERP business offices provide instructor-led training courses for hands on training of specific job functions, such as Business Financial Manager training courses.</p> <p>The Air Force Financial Management Office ensures training courses for DEAMS are available through the Air Force financial management learning management system and can be taken by anyone with access at any time. The Air Force Financial Management Office maintains a library of online training courses that are required as a part of the system access request process. Also, internal to the DEAMS application are user job aids that include video demonstrations of common system functions.</p>
3.5	<p>The Department should develop its proposal for an exchange program between the DOD and the private sector. In doing so, the Department should develop specific criteria, regarding the personnel to be exchanged and the organizations that would participate. The Department should then submit its proposal to the congressional committees of jurisdiction for consideration.</p>	Met	<p>The Department submitted a proposal, dated October 12, 2012, for inclusion in the NDAA FY 2014, which was directed at addressing the requirement for an action plan to further develop the civilian employee workforce. The proposal was for the Pilot Program for the Temporary Exchange of Financial Management Personnel with the private sector. While the proposal was not included in the NDAA for FY 2014 or FY 2015, it was included in the NDAA for FY 2016.</p>

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HASC Panel Recommendation	Status	DoD Actions Taken and Planned
		<p>The NDAA for FY 2016, Section 1110, Pilot Program on Temporary Exchange of Financial Management and Acquisition Personnel, provides the Secretary of Defense the authority to establish a pilot program to assess the feasibility and advisability of the temporary assignment of civilian employees to nontraditional defense contractors and employees of such contractors to the Department. The pilot period is January 6, 2016, through September 30, 2019. The pilot program is applicable to DoD civilians who work in the financial management and acquisition fields; are compensated at not less than the GS-11, or equivalent level; and are exceptional employees. The number of civilians eligible for the program at any given time is five from the financial management field and five from the acquisition field. An assignment under this program shall be for a period of at least three months but no more than one year. An important selection factor will be how the assignments might best be used to meet the training needs of the Department and employees in the financial management or acquisition career fields. The number of contractor personnel who may be assigned to the Department as part of the pilot program may not exceed 10 at any given time.</p> <p>The FM community is coordinating with the acquisition community regarding implementation plans and will report results of the pilot program in the FY 2018 – 2023 Strategic Workforce Plan.</p>

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Figure A2-4. DoD Actions on ERP System Implementation Efforts Recommendations

HASC Panel Recommendation		Status	DoD Actions Taken and Planned
ERP SYSTEM IMPLEMENTATION EFFORTS			
4.1	<p>The Department should include additional details on ERP programs in the FIAR Plan Status Reports, including full deployment dates, when known, and key milestone dates. These status reports should describe the risks and potential consequences of: (1) failing to satisfy outstanding ERP functionality requirements; or (2) incurring future ERP milestone delays. The status reports should describe the mitigation measures taken by the Department to reduce these risks. The status reports should also explain any actual schedule slippages or cost increases and the actions taken by the DOD to remedy any such development.</p>	Partially Met	<p>The OUSD(C) and ODCMO agreed that FIAR Plan Status Reports should include more detail regarding ERP programs to better evaluate progress toward auditability and timely implementation of corrective actions, and to increase confidence in the management of these investments. Each FIAR report since 2012 has included a separate section on the nine Military Service ERPs and DAI.</p> <p>The Department is taking a data-driven approach to managing Defense business systems as portfolios of investments. The goal is to aggregate data from authoritative data sources and tools used by the PPBE, acquisition, and funds certification processes to track and manage the overall performance of systems portfolios including ERPs.</p>
4.2	<p>The ERP program offices should integrate FIAR milestones into their program schedules. ERP program managers should be evaluated on their ability to maintain FIAR milestones as well as program acquisition-related milestones.</p>	Partially Met	<p>Each system program office is responsible for including requirements in their systems including FIAR requirements. The Services have self-reported that they have included FIAR milestones and requirements in their schedules. This only applies for the ERP systems that are in the acquisition process (e.g., DAI, DEAMS, IPPS). Programs in development have been given the requirements for inclusion in the respective program schedules. ERPs are also incorporating systems changes resulting from findings discovered during audits and examinations. Systems changes are vetted via the Components systems' configuration control boards.</p> <p>The OUSD(C) developed a methodology for financial systems to</p>

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HASC Panel Recommendation		Status	DoD Actions Taken and Planned
			<p>incorporate audit readiness in the Investment Decision Memorandum and Acquisition Decision Memorandum processes. During the Investment Decision Memorandum process, and for all systems that affect financial reporting, the OUSD)(C) provides input on each investment decision approval. The approval decision for each investment decision is contingent on the Component demonstrating that audit readiness and related compliance considerations have been incorporated into the work products for each relevant system and associated capability.</p> <p>Acquisition Decision Memoranda represent important checkpoints in the lifecycle of DoD systems and are critical to ensuring the expected outcomes are realized. For those systems that affect financial reporting, the OUSD(C) provides input for each acquisition decision approval at each business capability lifecycle milestone.</p>
4.3	The Department should develop ERP-related schedule and cost estimates based on best practices for future ERP deployments.	Partially Met	<p>The Department agrees that better methods are needed for estimating ERP implementation costs and scheduling. Experience with these programs over the past 10 years, along with industry best practices, has helped shape the strategies that are now being used in the management and oversight of ERP Implementations, including:</p> <ul style="list-style-type: none"> • Increasing discipline in requirements management. • Reengineering business processes before focusing on material solutions. • Reducing customizations to commercial software. • Sustaining leadership involvement throughout the lifecycle.

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HASC Panel Recommendation	Status	DoD Actions Taken and Planned
		<ul style="list-style-type: none"> • Emphasizing organizational change management to ensure end users understand the impact to their jobs. • Shifting the Business Enterprise Architecture's framework to end-to-end processes to better guide and constrain ERP development and interoperability. • Introducing the Standard Financial Information Structure, Standard Line of Accounting, related business rules and data attributes. • Expanding government's role for systems integration. • Measuring business performance consistently to assess ERP impacts. • Driving improvement through acquisition decisions. • Incorporating portfolio management methods to make the right investment decisions. <p>The Deputy CFO (DCFO) is involved in the Defense Acquisition Executive System (DAES) process during which the Department assesses the compliance of an ERP program in the acquisition process to financial management standards, including the FIAR Guidance. The DCFO provides input on status of programs based on Schedule, Performance, and Test and Evaluation as it relates to achieving the financial management laws, policies, and regulations.</p>

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HASC Panel Recommendation		Status	DoD Actions Taken and Planned
4.4	The Department should evaluate changes to ERP requirements as those systems are developed, implemented, and utilized.	Partially Met	<p>The Department agrees that ERP requirements must be managed throughout the development lifecycle, both within the program and through involved oversight (See Recommendation 4.3, above, on applying best practices for requirements management).</p> <p>Each ERP program and Component system-owner has seen project scope creep and user-specific requirements that have driven cost and schedule challenges. The lesson learned has been to strengthen management discipline through change control boards and engaged, knowledgeable senior-leader steering groups. In addition, the Milestone Decision Authority, as part of the major automated information system acquisition and investment review processes, monitors ERP programs at a macro level for cost, schedule, and performance and takes appropriate actions to address risks.</p>
4.5	The Department should evaluate its requirement process for ERP systems. The Department should assess the decision-making process, regarding ERP requirements, at every level of authority. The Department should then determine what, if any, changes may be needed.	Partially Met	<p>The Department has evaluated and adjusted its requirement processes for Defense Business Systems over the last seven years. In 2010, the Department mandated the implementation of the Business Capability Lifecycle, which streamlines acquisition of Defense Business Systems and requires disciplined delivery of well-scoped capabilities to end users in 18 months. The Business Capability Lifecycle operates within the established governance framework comprising the Investment Review Boards and Defense Business Systems Management Committee, which in turn advise the Milestone Decision Authority for the ERP programs.</p> <p>Working through the Major Acquisition Information System Milestone Decision Authority for systems, the DCFO can ensure requirements are being met. Specifically, during the acquisition</p>

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HASC Panel Recommendation	Status	DoD Actions Taken and Planned
		<p>milestone decision process and the annual investment review process. The DCFO has stated additional requirements that are included in the acquisition decision memorandum or the investment decision memorandum.</p> <p>The ODCMO and Military Department CMOs will continue to assess current practices for governing requirements and implement changes as necessary.</p>
<p>4.6 The Department should establish risk mitigation plans to address actual and potential weaknesses or deficiencies associated with the development, implementation, or utilization of its ERP systems that could affect the achievement of FIAR goals. At a minimum, each risk mitigation plan should: (1) identify measures for resolving any such weaknesses or deficiencies; (2) assign responsibilities within the Department to implement such measures; (3) specify implementation steps for such measures; (4) provide timeframes for implementing such measures; and (5) identify any alternative arrangements outside of the ERP environment that may be necessary for meeting FIAR objectives.</p>	<p>Partially Met</p>	<p>The Department agrees that thoughtful and thorough risk management (including identification, analysis, and mitigation) is required for effective information technology acquisition. The Department provides ample resources through the Defense Acquisition Guidebook, Program Manager Took Kit, and the Defense Acquisition University that can guide and educate program personnel in effectively managing future uncertainties. The Defense Acquisition Guidebook Best Practices Clearinghouse also offers practices, evidence, and stories, including a large section on risk management. ERP programs, which follow the Defense Acquisition System for Major Automated Information Systems, are required to use these resources and manage risks appropriately.</p> <p>The FIAR methodology identifies financial programs and associated feeder systems, including ERP systems. All major financial programs incorporate Risk Management Plans and track major risks and associated mitigation plans. Each Service reports on their respective programs at the regularly scheduled FIAR review sessions.</p> <p>In addition, FIAR processes being developed for input to the Investment Decision Memorandum and the Acquisition Decision Memorandum processes should permit a means to monitor</p>

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HASC Panel Recommendation		Status	DoD Actions Taken and Planned
			<p>progress of ERPs in relation to FIAR readiness and provide input on means for correcting any short comings</p> <p>Each Service has established a risk-management approach. The organization should follow the DoD risk-management framework to assist them in assessing their ERP system's audit readiness status.</p>
4.7	<p>The Department should evaluate lessons learned from previous data conversion efforts, and it should incorporate these lessons into its ERP data conversion plans. The Department should update its ERP data conversion plans periodically. Updates should include assessments of: the progress made in converting data into the ERP environment; whether that progress supports the satisfaction of existing requirements; and whether additional data conversion requirements would facilitate the achievement of FIAR objectives. The Department should also assess the merits of designating a senior official (such as the CMO or the DCMO) to be responsible for the coordination and managerial oversight of data conversion.</p>	Partially Met	<p>The Department revised its Federal Sector ERP Data Conversion Best Practices Guide in 2009 based on lessons learned since its original publication. The guide and a conversion tracking tool are available through the Defense Acquisition University's EI Tool Kit and is used by ERP program managers and staff in developing conversion strategies.</p> <p>In November 2013, the Under Secretary for Acquisition, Technology, and Logistics rescinded the delegation to DCMO to act as Milestone Decision Authority and the overarching Integrated Product Team lead for business systems, including all ERPs. Recommendations regarding a need for a data-conversion senior official for these systems under development may be more appropriately directed to the Milestone Decision Authority.</p> <p>Data standards do exist in the Business Enterprise Architecture SFIS/SLOA, which define the standard data element to be included in the system, and how data should be implemented in a new system. The Services have learned from past experience as seen in the example of the Air Force who after the initial data conversion into DEAMS at Scott AFB has decided not to convert data for new users.</p>

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HASC Panel Recommendation		Status	DoD Actions Taken and Planned
4.8	<p>The Department should: (1) evaluate the causes of system interface problems; (2) determine whether the number of interfaces can be reduced (e.g., by incorporating activities performed by legacy systems into the ERPs); and (3) determine what improvements can be made to support more effective interfaces between systems.</p>	Partially Met	<p>As required by the FY 2012 NDAA and 10 U.S.C. 2222, the Department updated the Business Process Reengineering Assessment Guidance on September 28, 2012.</p> <p>In FY 2014, the business process reengineering assessment process was integrated in Organizational Execution Plan reviews to support investment decisions and to validate the need to tailor commercial-off-the-shelf systems for unique requirements and interfaces, ensuring such requirements have been eliminated or reduced to the maximum extent practicable.</p> <p>The Department is increasingly approaching investment decisions with a portfolio view to reduce or eliminate unique requirements and interfaces. The Department has begun to implement process improvements across all systems through the implementation of strategic initiatives including the use of the global exchange to increase the interoperability and exchanging of standardized data between systems. There is also a strategy to reduce the number of existing legacy systems over the next several years, which will reduce the need for a high number of interfaces. These efforts should reduce issues associated with point-to-point interfaces.</p>

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HASC Panel Recommendation	Status	DoD Actions Taken and Planned
<p>4.9 The DoD DCMO, in coordination with the Director for Operation, Test and Evaluation (DOT&E) and Deputy Assistant Secretary of Defense for Development, Test and Evaluation (DASD (DT&E)), should assess information system control testing needs for all ERPs being developed by the DOD and determine whether appropriate workforce levels and corresponding skill sets exist within the Department's developmental and operational test communities. The Department should take actions to address any identified shortfalls.</p>	<p>Partially Met</p>	<p>Currently, DOT&E does not perform testing for all systems but provides guidance to assist organizations in performing testing. In addition, DCFO with DCMO support have begun a process for conducting independent testing of systems for compliance with financial management requirements, such as SFIS, SLOA, and USSGL.</p>

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Appendix 2. Acronyms

Acronym	Definition
AAA	Army Audit Agency
ABS	Automated Business System
ABSS	Automated Business Services System
ACAT	Acquisition Categories
ACES	Automated Civil Engineers System
ACES-RP	Automated Civil Engineers System – Real Property
ACPS	Automated Contract Preparation System
ADA	Anti-Deficiency Act
ADIS	Acquisition Due-In System
ADS	Automated Disbursing System
AF	Air Force
AFB	Air Force Base
AFCOS	Automated Fund Control Order System
AFEMS	Air Force Equipment Management System
AF-IPPS	Air Force Integrated Personnel Pay System
AFM	Automated Funds Management

Acronym	Definition
AFPROMS (WAPS)	Air Force Promotions System
AFT	Army Fund Balance with Treasury Tool
ALMSS	Automated Logistics Management Support System
AMC	Air Mobility Command
AMCOM	Aviation and Missile Command
APPMS	Automated Personal Property Management System
APSR	Accountable Property System of Record
APVM	Accounting Pre-Validation Module
ARMS	Automated Records Management System
ARNG	Army National Guard
AROWS	Air Force Reserve Order Writing System
ASN(FM&C)	Assistant Secretary of the Navy (Financial Management and Comptroller)
ATAAPS	Automated Time Attendance and Production System
AWCF	Army Working Capital Fund
AWCF-CIP	Army Working Capital Fund – Capital Investment Program
AWCF-OPS	Army Working Capital Fund – Operations

FIAR Plan Status Report

Acronym	Definition
AXOL	Access On-Line
BAM	Business Activity Monitoring
BEA	Business Enterprise Architecture
BEIS	Business Enterprise Information Services
BRAC	Base Realignment and Closure
BSO	Budget Submitting Office
CAB	Cargo and Billing System
CAMS-FM	Core Automated Maintenance System for Mobility
CAP	Corrective Action Plan
CAPS-W	Computerized Accounts Payable System - Windows
CAS	Combat Ammunition System
CAV-AF	Commercial Asset Visibility Air Force
CBDP	Chemical Biological Defense Program
CCSS	Commodity Command Standard System
CDS	Centralized Disbursing System
CECOM	Communications Electronics Command
CEFMS	Corps of Engineers Financial Management System

Acronym	Definition
CEMS	Comprehensive Engine Management System
CFMS-CNIC	Command Financial Management System-Navy Installation Command
CFMS-FFC	Command Financial Management System – Fleet Forces Command
CFMS-PACFLT	Command Financial Management System – Pacific fleet
CFO	Chief Financial Officer
CHCS	Composite Health Care System
CHRA	Civilian Human Resource Agency
CIMS	Consolidated Integrated Management System
CIO	Chief Information Officer
CIRCUITS	Centralized and Integrated Reporting for the Comprehensive Utility Information Tracking System
CMLS	Corrective Maintenance and Logistics System
CMO	Chief Management Officer
CMOS	Cargo Movement Operations System
CNIC	Commander Navy Installations Command
COINS	Commercial Operations Integrated System
ConWrite	Contract Writing System

FIAR Plan Status Report

Acronym	Definition
COTS	Commercial Off-the-Shelf
CRIS	Command Resource Integration System
DAAS	Defense Automatic Addressing System
DAI	Defense Agencies Initiative
DAG	Defense Acquisition Guidebook
DARPA	Defense Advanced Research Projects Agency
DASD	Deputy Assistant Secretary of Defense
DAU	Defense Acquisition University
DCAA	Defense Contract Audit Agency
DCAS	Defense Cash Accountability System
DCAT	Defense Competency Assessment Tool
DCBS	DEAMS Component Billing System
DCFO	Deputy Chief Financial Officer
DCM	Data Collection Module
DCMA	Defense Contract Management Agency
DCMO	Deputy Chief Management Officer
DCMS	Departmental Cash Management System

Acronym	Definition
DCPAS	Defense Civilian Personnel Advisory Service
DCPS	Defense Civilian Payroll System
DCPDS	Defense Civilian Personnel Data System
DDRS	Defense Departmental Reporting System
DDRS-AFS	Defense Departmental Reporting System – Audited Financial Statements
DDRS-B	Defense Departmental Reporting System – Budgetary
DDRS-DCM	Defense Departmental Reporting System-Data Collection Module
DDS	Deployable Disbursing System
DEAMS	Defense Enterprise Accounting and Management System
DECA	Defense Commissary Agency
DECKPLATE	Decision Knowledge Programming for Logistics Analysis and Technical Evaluation
DFAS	Defense Finance and Accounting Service
DHA	Defense Health Agency
DHAMS	Department Head Administrative Management System
DHP	Defense Health Program
DIA	Defense Intelligence Agency

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Acronym	Definition
DIFMS	Defense Industrial Financial Management System
DISA	Defense Information Systems Agency
DJMS	Defense Joint Military Pay System
DJMS-AC	Defense Joint Military Pay System – Active Component
DJMS-RC	Defense Joint Military Pay System – Reserve Component
DLA	Defense Logistics Agency
DMA	Defense Medical Activity
DMAPS	Depot Maintenance Accounting and Production System
DMAP-TAAS	Data Management and Analysis Plan – Textile Aircraft Arresting Systems
DMLSS	Defense Medical Logistics Standard Support
DMLSS-W	Defense Medical Logistics Standard Support - Wholesale
DNI	Director for National Intelligence
DoD	Department of Defense
DOD EMALL	Department of Defense Electronic Mall
DoD OIG	Department of Defense, Office of the Inspector General

Acronym	Definition
DON	Department of the Navy
DOT&E	Director for Operation Test and Evaluation
DPAS	Defense Property Accountability System
DPS	Defense Personal Property System
DRRT	Development of the Defense Reconciliation and Reporting Tool
DSCA	Defense Security Cooperation Agency
DSS	Distribution Standard System
DSSN	Disbursing Station Symbol Number
DSSC	Direct Support Stock Control
DTIC	Defense Technical Information Center
DTRA	Defense Threat Reduction Agency
DTS	Defense Travel System
DTSA	Defense Technology Security Administration
DWAS	Defense Working Capital Fund Accounting System
EBAS	Enterprise Business Accountability System
EBS	Enterprise Business System
ECC	Enterprise Central Component

FIAR Plan Status Report

Acronym	Definition
EDA	Electronic Document Access
EDM	Electronic Document Management
EFD	Enterprise Fund Distribution
ERMS/NITA	Electronic Retrograde Management System and Navy Transit Accountability
ERP	Enterprise Resource Planning System
ES	Executive Summary
ETIMS	Electronic Tooling Information Management System
EUD	Elimination of Unmatched Disbursements
EUD-APVM	Elimination of Unmatched Disbursements Accounting Pre-validation Module
EUD-APVM	Elimination of Unmatched Disbursements Accounting Pre-validation Module
EUD-PPVM	Elimination of Unmatched Disbursements Pay
EXMIS	Expeditionary Management Information System
FAMIS-EAS	Federal Financial Accounting Management Information System - Enterprise Accounting System
FASAB	Federal Accounting Standards Advisory Board
FASTDATA	Fund Administration and Standardized Document Automation
FBWT	Fund Balance with Treasury

Acronym	Definition
FFMIA	Federal Financial Management Improvement Act of 1996
FIAR	Financial Improvement and Audit Readiness
FIS	Facilities Information System
FISCAM	Federal Information System Controls Audit Manual
FLC	Fleet Logistics Center
FM	Financial Management
FMD	Fleet Maintenance System
FMO	Office of Financial Operations
FMS-NG	Financial Management Systems – Next Generation
FMS-NSMA	Financial Management System – Navy Systems Management Activity
FSCR	Financial Statement Compilation and Reporting
FY	Fiscal Year
GAFS	General Accounting and Finance System
GAFS-R	General Accounting and Finance System – Reengineered
GAO	Government Accountability Office
GATES	Global Air Transportation Execution System
GCSS-A	Global Combat Support System-Army

FIAR Plan Status Report

Acronym	Definition
GCSS-MC	Global Combat Support System-Marine Corps
GDSS	Global Decision Support System
GEX	Global Exchange
GF	General Fund
GFEB	General Fund Enterprise Business System
GL	General Ledger
GLM	General Ledger Module
HQARS	Headquarters Accounting and Reporting System
HQMC	Headquarters Marine Corps
IAPS	Integrated Accounts Payable System
IBS	Integrated Booking System
ILSMIS	Industrial Logistics Support Management Information System
ILS-S	Integrated Logistics System – Supply
IMDB	Integrated Missile Data Base
IMDS	Integrated Maintenance Data System
IMPS	Integrated Management Processing System
INFADS	Internet Naval Facilities Assets Data Store

Acronym	Definition
IPA	Independent Public Accountant (or Accounting Firm)
IPAC	Intra-Governmental Payment and Collection
IPP	Invoice Processing Payment
IPPS-A	Integrated Personnel Pay System – Army
iRAPT	Invoicing, Receipt, Acceptance, and Property Transfer
IT	Information Technology
ITAM	MSC IT Asset Management Database
ITAsset Management	MSC IT Asset Management Database
IWIMS	Interim Work Information Management System
JOCAS II	Job Order Cost Accounting System
KPT-IPADS	Keyport Integrated Production and Application Development System
LMP	Logistics Modernization Program
MAGTF	Marine Air Ground Task Forces
MAJCOM	Major Command
MAJIC	MPN Appropriation Justification Book Input and Compilation
MATMF	Material Access Technology - Mission Funded
MAXIMO	MAXIMO ENTERPRISE

FIAR Plan Status Report

Acronym	Definition
MDA	Missile Defense Agency
MILPDS	Military Personnel Data System
MILSTRIP	Military Standard Requisitioning and Issue Procedures
MOA	Memorandum of Agreement
MOCAS	Mechanization of Contract Administration Services
MOU	Memorandum of Understanding
MSC	Military Sealift Command
MSC-FMS	Military Sealift Command – Financial Management System
MSC-HRMS	Military Sealift Command – Human Resources Management System
NALCOMIS	Naval Aviation Logistics Command Management Information System
NAVRIS	Naval Research Information System
NAVSEA	Naval Sea Systems Command
NAVSUP	Naval Supply Systems Command
NDAA	National Defense Authorization Act
NDSP-WW	Non-department of Defense School Program World Wide Application
NDU	National Defense University

Acronym	Definition
NES	Navy Enlisted System
NexGen	Next Generation
NFR	Notice of Findings and Recommendations
NGA	National Geospatial Intelligence Agency
NROWS	Navy Reserve Order Writing System
NSA	National Security Agency
NSIPS	Navy Standard Integrated Personnel System
NSMA	Navy Systems Management Activity
NWCF	Navy Working Capital Fund
OASA(FM&C)	Office of the Assistant Secretary of the Army (Financial Management and Comptroller)
ODCMO	Office of the Deputy Chief Management Officer
ODNI	Office of the Director for National Intelligence
ODO	Other Defense Organization
OIG	Office of the Inspector General
OIS	Ordnance Information System
OM&S	Operating Materials and Supplies
OMB	Office of Management and Budget

FIAR Plan Status Report

Acronym	Definition
OPINS	Officer Personnel Information System
OSD	Office of the Secretary of Defense
OUSD	Office of the Under Secretary of Defense
OUSD(AT&L)	Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics)
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
OUSD(P&R)	Office of the Under Secretary of Defense (Personnel and Readiness)
PACFLT	Pacific Fleet
PADDS	Procurement Automated Data and Document System
PAYM	Pay Management
PBAS	Program Budget Allocation System
PBIS	Program Budget Information System
PBUSE	Property Book Unit Supply Enhanced
PFPA	The Pentagon Force Protection Agency
PMO	Program Management Office
PMRT	Performance Measurement and Reporting Taskforce
POEMS	Permanent Change of Station Obligation and Expenditure Management System

Acronym	Definition
PP&E	Property, Plant, and Equipment
PPVM	Payment Pre-Validation Module
RAMPOD	Reliability, Availability, Maintainability for Pods and Integrated Systems
REMIS	Reliability and Maintainability Information System
RHS	Reserve Headquarters Support
RIMS-FM	Reserve Integrated Management System Financial Management
RP	Real Property
RSUPPLY	Relational Supply Optimized
RTS	Reserve Travel System
RWO	Reimbursable Work Orders
SABAR	System Asset Based Accountability & Reliability
SABRS	Standard Accounting, Budgeting and Reporting System
SAMIS	Security Assistance Management Information System
SAMS	Standard Army Maintenance System
SARSS	Standard Army Retail Supply System
SBA	Schedule of Budgetary Activity
SBIRS	Space Based Infrared Radar System

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Acronym	Definition
SBR	Statement of Budgetary Resources
SCS	Stock Control System
SCRT	Standard Contract Reconciliation Tool
SDS	Standard Depot System
SECAF	Secretary of the Air Force
SEMS-SERMIS	Support Equipment Management Systems - Support Equipment Resource Management Information
SES	Senior Executive Service
SFIS	Standard Financial Information Structure
ShipClip	Ship-Based Configuration Logistics Improvement Program
SLDCADA	Standard Labor Data Collection and Distribution Application
SMA	Service Medical Activity
SPAWAR	Space and Naval Warfare Systems Command
SPS	Standard Procurement System
SRD	Standard Finance System-Redesign
SSAE	Statement on Standards for Attestation Engagements
STANFINS	Standard Financial System

Acronym	Definition
STARS	Standardized Accounting and Reporting System
STARS-FL	Standard Accounting and Reporting System – Field Level Accounting
STARS-HCM	Standard Accounting and Reporting System – Headquarters Claimant Module
STORES	Subsistence Total Order and Receipt Electronic System
SWALIS	Special Warfare Automated Logistics Information System
SYMIS-COST	Shipyards Management Information Systems – Cost Application
TACOM	Tank-Automotive and Armaments Command
TBD	To Be Determined
TDY	Temporary Duty
TFMS	Transportation Financial Management System
TI	Treasury Index
TOPS	Travel Order Processing System
TOW	Tube-launched, Optically-tracked, Wire Command-link Guided Missile System
TWCF	Transportation Working Capital Fund
ULLS-AE	Unit Level Logistics System-Aviation Enhanced

FIAR Plan Status Report

Acronym	Definition
USACE	United States Army Corps of Engineers
USD(C)	Under Secretary of Defense (Comptroller)
USMC	United States Marine Corps
USSGL	U.S. Standard General Ledger
USSOCOM	U.S. Special Operations Command
USTRANSCOM	U.S. Transportation Command

Acronym	Definition
USUHS	Uniformed Services University of the Health Sciences
VISTA	Visual Interfund System Transaction Accountability
WAAS	Washington Headquarters Services Allotment Accounting Services
WAWF	Wide Area Workflow
WCF	Working Capital Fund
WHS	Washington Headquarters Services



FINANCIAL IMPROVEMENT AND AUDIT READINESS

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