

FINANCIAL IMPROVEMENT AND AUDIT READINESS (FIAR) PLAN STATUS REPORT



UNITED STATES
DEPARTMENT OF DEFENSE



November 2012

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

Message from the Under Secretary of Defense (Comptroller)

I am pleased to transmit the November 2012 Financial Improvement and Audit Readiness (FIAR) Plan Status Report. The auditability deadlines we set for ourselves at the Department of Defense, some of which Congress codified first in the National Defense Authorization Act of 2009 and then again in 2012, are approaching. With fewer than two years remaining to reach our September 30, 2014, goal for achieving audit readiness on the Statement of Budgetary Resources for general funds, and five years remaining on our goal for achieving audit readiness on all financial statements, it is important to take stock of all that we have achieved and address the challenges that remain.

Substantial progress is clearly being made, and our business environment continues to mature. Leadership commitment is at an all-time high. What's more, the audit readiness message is resonating among the ranks. Across the Services, senior leadership is issuing a call to action and spotlighting success. A message from the chief management officer of each of the Military Departments, reaffirming the commitment to audit readiness, precedes the respective Department section of this report.

Challenges still remain. Sustaining a more stable budget environment over the remaining years of our FIAR effort is essential if we are to meet our goals. In addition, we must provide sufficient resources and continue to emphasize change management, training, and the development of a more skilled workforce. While I recognize the many challenges, the continual support of Congress has been invaluable, and I remain reasonably confident that we can meet our goals.



A handwritten signature in cursive script that reads "Robert F. Hale". The ink is dark and the signature is fluid and legible.

Robert F. Hale
Under Secretary of Defense (Comptroller)/
Chief Financial Officer

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The FIAR Plan Status Report was prepared in accordance with the National Defense Authorization Acts (NDAA) for Fiscal Years (FY) 2010, 2011, and 2012. The Report addresses issues impeding the reliability of the Department of Defense financial statements and serves as the Department's annual Financial Management Improvement Plan, required by Section 1008(a) of the NDAA for FY 2002.

Preparation of this Report cost the Department of Defense an approximate total of \$175,000.

Executive Summary

It has been about one year since Secretary Panetta directed the Department to accelerate key elements of the Financial Improvement and Audit Readiness (FIAR) Plan and place greater emphasis on the overall effort. Included in his direction was achieving audit readiness on the Statement of Budgetary Resources (SBR) for General Fund by the end of 2014, a full three years earlier than planned. The Department has been aggressively working to achieve that revised goal, as demonstrated by the progress reflected in this Report.

The Report is organized by Military Department, the Defense Agencies and other Defense organizations, and service providers, all of which impact the Department's ability to produce the DoD Agency-wide Financial Statements. The sections on the Military Departments each begin with a message from their Chief Management Officer. In addition, three new sections have been added:

- *Section II. Supporting Progress and Fostering Success* identifies and describes significant actions, since the May 2012 Report, to ensure progress continues, milestones are achieved timely, and the FIAR goals are accomplished successfully.
- *Section VIII. Enterprise Resource Planning Systems and Audit Readiness* consolidates and expands information on Enterprise Resource Planning systems (ERPs) because of the special interest in the ERPs and their role in achieving and sustaining auditability.
- *Section IX. Risk Management* describes the risks to achieving the FIAR goals and how the Department is managing those risks.

ENGAGED LEADERSHIP MAKING A DIFFERENCE

Secretary Panetta's leadership and personal commitment to auditability have been invaluable, beginning with his directive in October 2011 to accelerate the drive to audit readiness. That direction included:

- Audit readiness of the General Fund SBR by the end of 2014,
- Increased emphasis on the accountability of assets, and
- Audit readiness of all DoD financial statements by 2017.

Achieving General Fund SBR audit readiness in FY 2014 will be an important step that will verify that DoD has improved the processes, controls, systems, and information used most often to manage the Department.

Secretary Panetta's involvement did not end with his directive. The Secretary reviewed the Department's accelerated FIAR plans and conducts regular follow-up meetings. In addition, he directed the Deputy Secretary of Defense, in his role as Chief Management Officer, to conduct reviews to ensure audit readiness of the SBR is achieved.

Following the Secretary's lead, the Military Department Secretaries and Chiefs of Staff of the Military Services have committed to specific near-term goals that incrementally lead to auditable financial statements. Their commitment has been reinforced at the command-level, where mission activity triggers financial transactions and where internal controls must be effective.

In order to effectively measure progress, Secretary Panetta requested and received interim goals for each FIAR objective from the Military Departments, the Defense Agencies and other Defense organizations, and the service providers. The FIAR Governance Board (see Appendix 2) monitors the plans and progress and holds Components accountable for achieving the interim goals. Audit readiness goals also have been incorporated in senior executive performance plans.

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Despite the Secretary’s commitment and involvement, significant challenges remain, such as:

- Eliminating material weaknesses
- Strengthening internal controls
- Modernizing business and financial systems

However, the Department is now better positioned to make meaningful progress, sustain improvements, maintain a strong control environment, and achieve auditability.

AUDIT READINESS PROGRESS

Steady progress has been made by the Components to achieve Secretary Panetta’s direction, which is monitored and measured in several ways:

- Financial statement audit opinions
- Audit readiness assertions for SBR end-to-end business or financial processes and assertions for mission critical asset existence and completeness
- Metrics (see Section X, Audit Readiness Metrics)

Financial Statement Audit Opinions

In FY 2012, DoD reporting organizations with unqualified audit opinions received over \$105 billion in budgetary resources. This represents more than the budgetary resources under audit in 15 of the 24 individual Chief Financial Officer Act federal agencies combined.

Figure 1 lists the DoD Components that successfully achieved audit opinions on their FY 2012 financial statements.

Figure 1. Financial Statement Audit Opinions

FY 2012 Unqualified Audit Opinions
U.S. Army Corps of Engineers – Civil Works
Defense Contract Audit Agency
Defense Commissary Agency
Defense Finance and Accounting Service
Military Retirement Fund
TRICARE Management Activity – Contract Resource Management
FY 2012 Qualified Audit Opinion
Defense Information Systems Agency – Working Capital Fund
Office of the Inspector General
Medicare-Eligible Retiree Health Care Fund

Audit Readiness Assertions and Validations

FIAR activity conducted by the DoD Components is organized by business and/or financial process (e.g., Military Pay, Contracts, Reimbursables). Component management asserts audit readiness for a business or financial process only after validating that corrective actions have been completed, processes have been documented, automated and manual controls have been tested and are effective, and supporting documentation is readily available to support financial transactions. Each assertion represents progress and another step toward full auditability.

Audit readiness assertions, independent auditor validations of audit readiness underway, and completed auditor validations since the May 2012 Report include:

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For elements of the SBR:

- Audit readiness assertions under review by the OUSD(C):
 - Air Force – Funds Distribution to Base
- Auditor validation completed with an unqualified opinion:
 - Navy – E-2D Hawkeye Acquisition Program
- Auditor validations underway:
 - Army – Nine General Fund Enterprise Business System (GFEBS) business processes at ten installations and the Defense Finance and Accounting Service (DFAS)
 - Navy – Civilian Pay
 - Navy – Transportation of People
 - Air Force – Space Based Infrared System Major Defense Acquisition Program
- Auditor validation pending contract award:
 - Thirteen Defense Agencies and other Defense organizations – Appropriations Received

For existence and completeness of mission critical assets:

- Audit readiness assertions under review by the OUSD(C):
 - Air Force – Medical Equipment
- Auditor validations completed with unqualified opinions:
 - Air Force – Military Equipment
 - Air Force – OM&S - Cruise Missiles
 - Air Force – OM&S - Aerial Targets and Drones
- Auditor validations underway:
 - Army – OM&S – 3 missile types
 - Air Force – OM&S – Spare Engines
 - Air Force – OM&S – Missile Motors

A full listing of completed assertions, assertions under review by the OUSD(C), completed auditor validations, and business and financial processes in audit readiness sustainment made prior to and since the May 2012 Report is included in Section I.

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Summary of FIAR Priorities Progress

Figure 2 shows that 15 percent of the Department's General Fund budgetary resources are presently under audit. The Military Departments, Defense Agencies, and other Defense organizations are preparing the remaining budgetary resources for audit, which will be accomplished by the end of FY 2014. Although a Component of the Department of the Navy, the U.S. Marine Corps is included in the 15 percent under audit.

Figure 2. SBR Audit Readiness Status

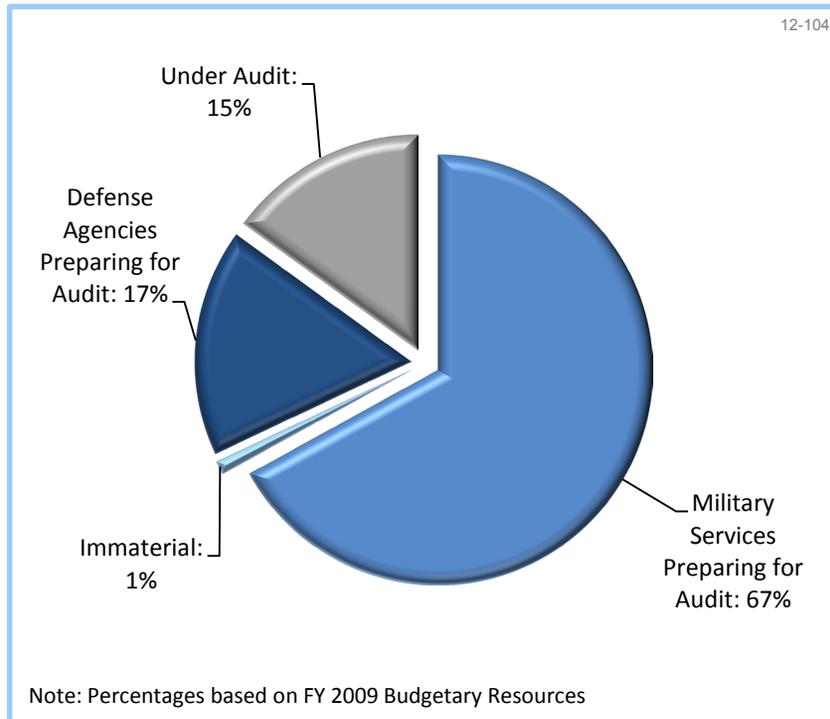
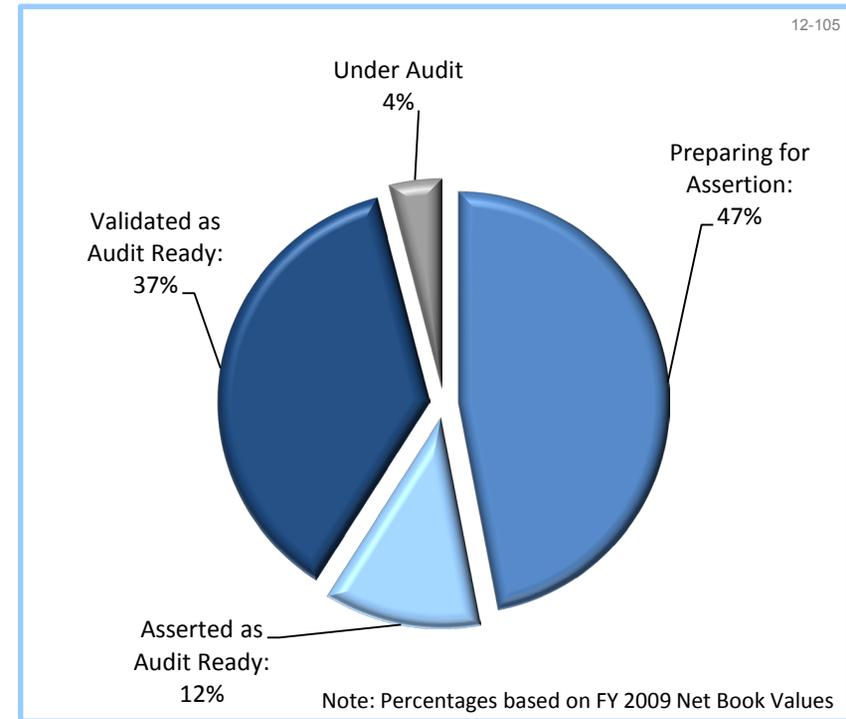


Figure 3 illustrates that 4 percent of the Department's mission critical assets is under audit, 37 percent has been validated as audit ready, 12 percent has been asserted by the Component as audit ready, and the remaining 47 percent is preparing for audit readiness assertions. By September 30, 2017, when the Department is planning to have all of its financial statements ready for audit, all of its mission critical assets also will be either under audit or audit ready.

Figure 3. Existence and Completeness Audit Readiness Status



ACHIEVING FULL AUDITABILITY BY 2017

Achieving SBR audit readiness, while significant, is not the end-game. To achieve *full* audit readiness by September 30, 2017, the DoD Components are employing a mandatory, comprehensive strategy (FIAR Strategy) and methodology (FIAR Methodology) that prioritizes and focuses FIAR work. The strategy requires the Components to focus first on improving financial and business information most useful to management and warfighters. Specifically, the priorities require improvements to budgetary and mission critical asset information.

The FIAR Strategy prioritizes the Component's financial improvement work into four waves representing significant levels of effort and accomplishments:

- Wave 1 – Appropriations Received Audit. Appropriation Received is a key element of the SBR, and for the Military Departments, it has been validated as audit ready by an Independent Public Accounting (IPA) firm. Appropriations Received also was asserted as audit ready by the other Defense organizations and a validation by an IPA will be started in FY 2013.
- Wave 2 – Statement of Budgetary Resources Audit. The SBR is a FIAR priority and the focus of most ongoing FIAR work across the Department with the goal of audit readiness by the end of FY 2014. See Section II and Appendix 1 for a recent change to the FIAR Methodology, focusing initial audits on current year budgetary resources.
- Wave 3 – Mission Critical Asset Existence and Completeness Audit. Also a FIAR priority, asset existence and completeness audit readiness is critical to effectively managing mission critical assets and is essential to achieving full auditability in 2017. Significant progress has been made by the Military Departments and specific other Components.
- Wave 4 – Full Audit, Except for Existing Asset Valuation. All remaining audit readiness work will be performed during Wave 4, and much of this work has already begun, as explained below.

Detailed work plans for accomplishing the goals and objectives of Wave 4, Full Audit, have not been developed by or required of the Components, or for every end-to-end process impacting the Balance Sheet. The FIAR priorities require the Components to devote their resources and efforts to completing Waves 1 – 3 before beginning work on Wave 4. Nevertheless, much of the work to complete Waves 1 – 3 impacts the requirements and objectives of Wave 4. For example, the following interdependencies will be leveraged to accelerate progress in Wave 4:

- Delivered Orders, reported on the SBR, equate to a portion of Accounts Payable reported on the Balance Sheet.
- Spending Authority from Offsetting Collections, reported on the SBR, includes some of the amounts reported in Accounts Receivable – Intragovernmental on the Balance Sheet.
- Unobligated Balances and Unpaid Obligations, reported on the SBR, correlate to Fund Balance with Treasury (FBWT) reported on the Balance Sheet.
- Obligations Incurred, reported on the SBR, equates to a substantial portion of Gross Costs reported on the Statement of Net Cost.

One significant and potentially very costly challenge in Wave 4 is obtaining auditable values for the tremendous amount of DoD assets (e.g., military equipment, real property) located worldwide and procured many years ago, well before there was an audit requirement. As required by Congress, the Department performed a business case analysis, examining various options for valuing and reporting assets on DoD financial statements. The business case concluded that such valuation work be significantly minimized by modifying federal accounting and reporting requirements, since such information is not used within the Department or by the users of DoD financial statements. The business case was provided to Congress in the May 2011 FIAR Plan Status Report.

The FIAR Methodology consists of a series of phases, key tasks, and underlying detailed activities that the DoD Components must follow to

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Audit Readiness Near-Term Plans

To ensure the FIAR priority target dates are successfully accomplished, the FIAR governance process monitors the near-term plans of each Military Department, the Defense Agencies, and the other Defense organizations. The near-term plans include specific dates for completing important FIAR activity such as:

- Testing Controls
- Implementing Corrective Actions
- Validating Corrective Actions

The FIAR Committee and FIAR Subcommittee review near-term dates monthly, and the FIAR Governance Board reviews near-term dates quarterly. The near-term plans of the Army, Navy, and Air Force are provided in Figures 5, 6, and 7 on the following pages.

See Section VI for the near-term plans of the Defense Agencies and other Defense organizations.

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Figure 5. Army Audit Readiness Near-Term Plans

Milestone	Tested	Corrected	Validated
Information Technology Systems			
General Fund Enterprise Business System (GFEBS)	✓	✓	12/31/12
Global Combat Support System-Army (GCSS-A)	✓	12/31/12	12/31/13
Logistics Modernization Program (LMP)	12/31/12	06/30/13	12/31/13
Statement of Budgetary Resources			
General Fund SBR Examination 2 – GFEBS Wave 1 & 2 Sites (10 Installations/18 Resource Management Offices and DFAS, GFEBS Controls and 9 Processes: Funds Receipt, Distribution, and Monitoring; Reimbursables In-bound and Out-bound; TDY; Contracts; Civilian Pay; Misc. Payments; Government Purchase Cards; Supply Requisitions; Financial Reporting)	✓	✓	12/31/12
Automated Fund Balance with Treasury (FBWT) Reconciliation Tool	01/31/13	N/A	N/A
General Fund SBR Examination 3 – All Army General Fund Activities at all GFEBS Locations (Examination 2 Processes plus MOCAS, GCSS-Army)	12/31/12	06/30/13	12/31/13
General Fund SBR Assertion/Audit – All Army General Fund Activities (Examination 3 Processes plus Military Pay)	03/31/13	06/30/14	09/30/14
Fund Balance with Treasury (FBWT)	02/15/13	06/30/14	09/30/14
Assets Existence and Completeness			
Operating Materials and Supplies (OM&S) – Javelin, Hellfire, and TOW Missiles	✓	✓	12/31/12
Real Property – 20 Installations	✓	12/31/12	06/30/13
Military Equipment, General Equipment, OM&S – All Assets	✓	12/31/13	06/30/14
Real Property – All Installations	03/31/13	09/30/14	03/31/15

Note: Tested = Completion of Discovery work; Corrected = Completion of corrective actions and assertion of audit readiness; Validated = DoD Inspector General or Independent Public Accounting firm opinion on audit readiness assertion; and ✓ = Completed.

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Figure 6. Navy Audit Readiness Near-Term Plans

Milestone	Tested	Corrected	Validated
Information Technology Systems			
Navy ERP (General Ledger – Financial Transaction Detail)	✓	03/31/13	09/30/13
Navy Standard Integrated Personnel System (Military Personnel System)	08/02/12	03/31/13	09/30/13
Standard Labor Data Collection and Distribution Application (Civilian Time and Attendance)	✓	03/31/13	09/30/13
Standard Accounting and Reporting System (General Ledger – Financial Transaction Detail)	08/02/12	03/31/13	09/30/13
Statement of Budgetary Resources			
U.S. Marine Corps	✓	✓	✓
Reimbursable Work Orders	✓	06/30/12	12/31/12
Civilian Pay	✓	✓	12/31/12
Transportation of People	✓	✓	12/31/12
Supply Requisition (MILSTRIP)	03/28/12	09/30/12	03/31/13
Financial Reporting	04/02/12	09/30/12	03/31/13
Contract/Vendor Pay	05/10/12	12/31/12	06/30/13
Military Pay	✓	03/31/13	09/30/13
Net Outlays (FBWT)	✓	03/31/13	09/30/13
Assets Existence and Completeness			
Military Equipment – Ships, Submarines, Satellites, ICBMs	✓	✓	✓
Military Equipment – Aircraft	✓	✓	✓
OM&S (Ordnance)	✓	✓	07/31/12

Note: Tested = Completion of Discovery work; Corrected = Completion of corrective actions and assertion of audit readiness; Validated = DoD Office of the Inspector General or Independent Public Accounting firm opinion on audit readiness assertion; and ✓ = Completed. Dates highlighted in YELLOW were missed. Revised dates are provided in the Navy section of this Report. The Navy does not believe that the missed dates jeopardize efforts to meet the 2014 goal.

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Figure 7. Air Force Audit Readiness Near-Term Plans

Milestone	Tested	Corrected	Validated
IT Systems			
Automated Funds Management (Funds Control and Distribution)	✓	✓	12/31/12
General Accounting and Finance System (General Ledger – Financial Transaction Detail)	✓	TBD	TBD
Statement of Budgetary Resources			
Funds Distribution to Base	✓	✓	09/30/12
Civilian Pay	✓	12/31/12	06/30/13
Reimbursable Budget Authority	✓	12/31/12	06/30/13
Military Pay	06/30/12	3/31/13	09/30/13
Reimbursable Work Orders	04/30/13	12/31/13	06/30/14
Net Outlays (Funds at Treasury)	08/31/12	12/31/13	06/30/14
Contracts (Major)	08/31/12	12/31/13	06/30/14
Contracts (Minor)	10/31/12	08/31/13	02/28/14
Supply Requisition (MILSTRIP)	10/31/12	07/31/13	01/31/14
Financial Reporting	02/28/13	12/31/13	06/30/14
Assets Existence and Completeness			
Military Equipment	✓	✓	✓
OM&S (Cruise Missiles and Aerial Targets/Drones)	✓	✓	✓
OM&S (Missile Motors and Spare Engines)	✓	✓	09/30/12
Real Property	✓	06/30/13	12/31/13
OM&S (Munitions)	12/31/13	06/30/14	12/31/14

Note: Tested = Completion of Discovery work; Corrected = Completion of corrective actions and assertion of audit readiness; Validated = DoD Office of the Inspector General or Independent Public Accounting firm opinion on audit readiness assertion; and ✓ = Completed. Dates highlighted in YELLOW were missed. Revised dates are provided in the Air Force section of this Report. The Air Force does not believe that the missed dates jeopardize efforts to meet the 2014 goal.

AUDIT READINESS RESOURCES

The Department’s senior leaders are applying the appropriate level of resources and oversight to achieve the FIAR goals and priorities. The FIAR activities funded by the amounts in Figure 8 include conducting numerous audit readiness activities, hiring IPA firms to conduct validations and audits, and resolving financial system issues (i.e., achieving an audit ready systems environment).

Similar resource figures are provided at the end of the Component sections of the Report.

Audit Readiness encompasses the resources for evaluation, discovery, and corrective actions of the Components and their service providers (e.g., DFAS) and includes documenting and modifying processes and controls, identifying internal control deficiencies through testing and remediation of deficiencies, and evaluating transaction-level evidential

matter and ensuring it is readily available. Resources for activities to test or verify audit readiness after completing corrective actions and preparation of management assertion packages are also included.

Validations and Audits include the resources for validations, examinations, and financial statement audits conducted by IPAs.

Financial Systems includes the resources for designing and achieving an audit ready systems environment, including new system deployment costs, other than the Enterprise Resource Planning (ERP) systems. It also includes the resources to make needed and cost-effective changes to legacy systems that will be part of the audit ready systems environment. Financial System resources include design, development, deployment, interfaces, data conversion and cleansing, independent verification and validation and testing, implementation of controls and control testing, and system and process documentation. Cost information for ERPs is provided in Section VIII.

Figure 8. DoD Audit Readiness Resources (\$ in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Audit Readiness	\$ 290	\$ 498	\$ 492	\$ 354	\$ 284	\$ 248	\$ 247
<i>Process Review and Remediation</i>	232	422	416	288	218	182	181
<i>DFAS Audit Readiness Support</i>	40	58	52	43	43	43	43
<i>Internal Audit Cost</i>	18	18	24	23	23	23	23
Validations and Audits	\$ 18	\$ 44	\$ 71	\$ 127	\$ 117	\$ 127	\$ 127
Financial Systems	\$ 95	\$ 116	\$ 93	\$ 78	\$ 80	\$ 68	\$ 32
Total Resources	\$ 403	\$ 658	\$ 656	\$ 559	\$ 481	\$ 443	\$ 406

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I. Audit Readiness Accomplishments and Progress

Accomplishments and progress made since the May 2012 FIAR Plan Status Report are highlighted and described in this section. The Component sections of the Report provide additional information.

U.S. MARINE CORPS AUDIT

The U.S. Marine Corps (USMC) was the first Military Service to have its Statement of Budgetary Resources (SBR) audited. Although the USMC received disclaimers of opinion on its FY 2010 and FY 2011 SBRs, invaluable lessons resulted from the USMC's preparation for the audits and from the audits themselves. Many of the benefits are described in the Department of the Navy section of this Report.

Presently, the USMC FY 2012 SBR is under a limited-scope audit, piloting a financial audit that focuses only on current fiscal year appropriations and expenditures. The new strategy of focusing on current year appropriations is consistent with a recent change to the FIAR Methodology approved by the FIAR Governance Board in August 2012 and incorporated in the DoD FIAR Guidance. This change to the FIAR Methodology is explained in Section II and Appendix 1 of this report.

The reduced audit scope will validate that business and financial processes, controls, and systems are audit ready and demonstrate a sustainable path toward full SBR audit readiness. The USMC expects the audit to conclude favorably in early 2013. While the focus remains on a successful audit outcome for the schedule, the USMC continues to strengthen its processes and internal controls based on previous audit findings. The USMC is confident that it is well-positioned for audit success and is now also focusing on its Balance Sheet in preparation for a full financial statement audit.

EXAMINATIONS AND VALIDATIONS

The Department's SBR audit readiness efforts focus on improving the documentation and controls within major business processes. Recent achievements include:

- An unqualified opinion on the audit readiness of the budgetary information for the Navy's E2-D major defense acquisition program. This achievement shows that the underlying data and controls exist in the Department's major acquisition process. All Components can now build on this pilot effort.
- Unqualified opinions on the Existence and Completeness of the majority of Navy and Air Force Military Equipment. This evidences control over expensive and important assets in the Department.
- Audit opinions on the controls of two key processes supported by the service providers Defense Finance and Accounting Service (DFAS) and Defense Information Systems Agency (DISA). Business processes in DoD always involve shared service providers who furnish common services to the Military Departments and other Components creating challenges for achieving audit readiness. These audits model Component-service provider coordination and demonstrate that in key areas the Department has controls in place that already support auditable financial statements.

Examples of audit readiness validations underway now include:

- Audit readiness of 10 Army sites that were among the early adopters of the General Fund Enterprise Business System. The Army is moving installation-by-installation, testing the audit readiness of nine business processes and providing feedback on the extent of progress on material business processes.
- Navy Civilian Pay and Transportation of People. Validating these significant spending streams will prove that Navy now understands audit requirements and can focus their knowledge and experience on other business areas.

ASSERTIONS

Components submit audit readiness assertions on a business process after validating that corrective actions have been completed, processes documented, automated and manual controls tested and effective, and supporting documentation made readily available to support financial transactions in that business process. Audit readiness assertions, independent auditor validations of audit readiness underway, and completed auditor validations made since the May 2012 Report include:

For elements of the SBR:

- Army asserted audit readiness on nine business processes in ten locations.
- Navy asserted audit readiness on two business processes.
- Air Force asserted audit readiness on two business processes.
- DARPA asserted audit readiness on two business processes.
- Thirteen Defense Agencies and other Defense organizations asserted audit readiness on Appropriations Received (funds receipt and distribution process) and auditors are validating that progress.
- Four other examinations to validate audit readiness are underway by auditors, one examination is pending contract award, and one examination was successfully completed.

For mission critical assets:

- Army asserted audit readiness on one type of assets.
- Air Force asserted audit readiness on one type of assets.
- U.S. Special Operations Command and Missile Defense Agency each asserted audit readiness on one type of assets.
- Three examinations by the DoD Office of the Inspector General (DoD OIG) to validate audit readiness were successfully completed.
- Three DoD OIG examinations to validate audit readiness are underway.

On the following pages, Figure I-1 identifies the audit readiness assertions that have been accomplished by the Components. The list includes assertions for all financial statements, the SBR, and assessable units of the SBR. Figure I-2 identifies Component audit readiness assertions for mission critical asset existence and completeness. Items noted in red show a change in status from the May 2012 Report.

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Figure I-1. Statement of Budgetary Resources Audit Readiness Assertions

DoD Component	Audit Readiness Assertions	Assertion Date	Status
U.S. Marine Corps	SBR	Q4 FY 2008	Under Audit
Army	Appropriations Received	Q4 FY 2010	Unqualified Opinion - In Sustainment
Army	Examination of GFEBS Wave 1 Entities	Q2 FY 2011	Qualified Opinion
Army	Examination of GFEBS 9 Business Processes at 10 Installations and DFAS	Q3 FY 2012	IPA Examination Underway
Navy	Appropriations Received	Q1 FY 2010	Unqualified Opinion - In Sustainment
Navy	Civilian Pay	Q2 FY 2010	IPA Examination Underway
Navy	Transportation of People	Q4 FY 2010	IPA Examination Underway
Navy	E-2D Hawkeye Acquisition Program	Q4 FY 2011	Unqualified Opinion - In Sustainment
Air Force	Appropriations Received	Q4 FY 2010	Unqualified Opinion - In Sustainment
Air Force	Rescissions	Q4 FY 2010	In Sustainment
Air Force	Non-expenditure Transfers	Q4 FY 2010	In Sustainment
Air Force	FBWT Reconciliation	Q1 FY 2011	Unqualified Opinion - In Sustainment
Air Force	SBIRS Acquisition Program	Q4 FY 2012	IPA Examination Underway
Air Force	Funds Distribution to Base	Q4 FY 2012	OUSD(C) Validation Underway
Defense Logistics Agency	Appropriations Received	Q4 FY 2010	IPA Examination Pending
TRICARE Management Activity	Appropriations Received	Q4 FY 2011	IPA Examination Pending
Service Medical Activity	Appropriations Received	Q4 FY 2011	IPA Examination Pending
Defense Advanced Research Projects Agency	Appropriations Received	Q4 FY 2011	IPA Examination Pending
Chemical Biological Defense Program	Appropriations Received	Q4 FY 2011	IPA Examination Pending
Defense Technical Information Center	Appropriations Received	Q1 FY 2012	IPA Examination Pending
U.S. Special Operations Command	Appropriations Received	Q2 FY 2012	IPA Examination Pending
Defense Contract Management Agency	Appropriations Received	Q2 FY 2012	IPA Examination Pending
Washington Headquarters Services	Appropriations Received	Q3 FY 2012	IPA Examination Pending
Missile Defense Agency	Appropriations Received	Q3 FY 2012	IPA Examination Pending
Defense Threat Reduction Agency	Appropriations Received	Q3 FY 2012	IPA Examination Pending
Department of Defense Education Activity	Appropriations Received	Q3 FY 2012	IPA Examination Pending
Defense Security Cooperation Agency	Appropriations Received	Q3 FY 2012	IPA Examination Pending
Defense Advanced Research Projects Agency	Reimbursable Work Orders	Q2 FY 2012	Additional Corrective Actions Needed
Defense Advanced Research Projects Agency	Civilian Pay	Q2 FY 2012	In Sustainment
Defense Advanced Research Projects Agency	Travel Pay	Q3 FY 2012	Additional Corrective Actions Needed
Defense Advanced Research Projects Agency	Other Budgetary Activity	Q4 FY 2012	OUSD(C) Validation Underway

Note: Red indicates a change in status from the May 2012 Report.

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Figure I-2. Mission Critical Asset Audit Readiness Assertions

DoD Component	Audit Readiness Assertions	Assertion Date	Status
Army	Military Equipment - 8 Asset Types	Q2 FY 2011	Additional Corrective Actions Needed
Army	General Equipment - Fire & Rescue	Q2 FY 2011	Additional Corrective Actions Needed
Army	OM&S – 3 Missile Types	Q3 FY 2012	DoD OIG Examination Underway
Navy	Military Equipment	Q4 FY 2010	Unqualified Opinion - In Sustainment
Navy	OM&S – Ordnance	Q4 FY 2010	OUSD(C) Validation Underway
Air Force	Military Equipment	Q1 FY 2011	Unqualified Opinion - In Sustainment
Air Force	OM&S - Cruise Missiles	Q3 FY 2011	Unqualified Opinion - In Sustainment
Air Force	OM&S - Aerial Targets/Drones	Q3 FY 2011	Unqualified Opinion - In Sustainment
Air Force	OM&S - Spare Engines	Q2 FY 2012	DoD OIG Examination Underway
Air Force	OM&S - Missile Motors	Q2 FY 2012	DoD OIG Examination Underway
Air Force	Medical Equipment	Q4 FY 2012	OUSD(C) Validation Underway
U.S. Special Operations Command	WARCOM - Combatant Craft	Q1 FY 2012	In Sustainment
U.S. Special Operations Command	USASOC - Rotary Wing Aircraft	Q3 FY 2012	In Sustainment
Missile Defense Agency	Military Equipment - Sensors	Q3 FY 2012	In Sustainment

Note: Red indicates a change in status from the May 2012 Report.

GFEBs FULLY DEPLOYED

On July 1, 2012, the Army completed its final planned deployment wave of its ERP, General Fund Enterprise Business System (GFEBs). GFEBs has more than 53,000 users at 227 locations in 71 countries. GFEBs implementation began with a single organization at a single installation on October 1, 2008, followed by a slightly larger deployment wave on April 1, 2009, and subsequent deployment waves every few months. On June 24, 2011, GFEBs received a Full Deployment Decision from the DoD Deputy Chief Management Officer (DCMO), which affirmed the deployment readiness of the GFEBs solution and authorized system implementation Army-wide.

GFEBs changes the way the Army does business. A web-enabled financial, asset, and accounting management system, GFEBs replaced the Standard Finance System (STANFINS), the most widely used standard accounting system for Army installations, and the Standard Operations and Maintenance Army Research and Development System (SOMARDS), the standard accounting system for most Army logistics and acquisition operations. GFEBs also improves the capabilities for Army to achieve audit readiness and compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996 (Public Law 104-208). During a recent Army Audit Agency evaluation, GFEBs achieved a milestone in support of full FFMIA compliance by successfully demonstrating 97 percent of the requirements Army management deemed applicable to support FFMIA.

GFEBs affects all Army organizations, and changes everything from the day-to-day activities of Army financial operations to decision-making at the Command-level. With the FY 2012 completion of the transition from the legacy real property system to GFEBs, GFEBs became the Army's system of record for real property assets. The real-time nature of GFEBs reduces the need for data calls and gives the Army more accurate data on funds availability and execution.

DAI

The Defense Agencies Initiative (DAI) system provides fully integrated financial management and budgeting capabilities to many of the Defense Agencies and other Defense organizations. DAI improves an agency's ability to achieve and sustain auditable SBR balances and meets federal systems requirements.

Since the May 2012 FIAR Report, four additional Defense organizations have implemented DAI: Defense Security Service, Defense Advanced Research Projects Agency, Office of Economic Adjustment, and the Defense Media Activity. Including these agencies, DAI Core Financials has been deployed in 11 Defense organizations to over 9,200 users. Additionally, DAI Time and Labor is operating in 12 agencies and supports cost management and cost accounting. In 2013, DAI will upgrade the underlying software application to the next release.

DAI provides essential accounting functionality needed for auditability, such as audit trails from general ledgers to subsidiary ledgers and to transaction-level supporting documentation. The agencies using DAI have developed their Financial Improvement Plans consistent with the implementation schedule.

SFIS

The Standard Financial Information Structure (SFIS) is the Department's common business language standardizing data elements and the transaction posting logic used in numerous DoD financial systems. Systems compliance with SFIS and the DoD Standard Chart of Accounts (SCOA) contributes to the Department's audit readiness by ensuring standard, consistent transaction accounting.

Beginning in 2010, the Office of the Deputy Chief Management Officer and the Office of the Deputy Chief Financial Officer began independent assessments of the Department's ERPs and business systems to determine their compliance with SFIS and SCOA. The SFIS and SCOA assessments examine the ERP system's SFIS

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configuration, the SCOA posting logic, whether the system can interface with other systems, and the system's financial reporting capability. Approximately 250 business rules within each ERP system are evaluated. Thus far, the Department has performed 33 system assessments.

From these assessments, the Department identified issues with the chart of accounts, posting logic, and data exchanged between business partners through system interfaces. On September 14, 2012, the USD(C)/Chief Financial Officer (CFO) and DCMO jointly issued a memo directing all Components to implement a single standard line of accounting (SLOA)/accounting classification to all applicable transactions. Having Components use a SLOA will reduce the overall number of interfaces and improve system interface evaluation. For remaining interfaces, the SLOA data exchange will improve end-to-end traceability of business processes not contained within a single system.

DON CAMPAIGN TO CUT WASTE

Strengthening internal controls over Department of the Navy (DON) business processes is cutting waste and yielding savings. Through its FIAR efforts, DON methodically analyzes business processes that convert DON funding into goods and services. Internal controls over the processes are strengthened, and, where possible, standardized and automated. As a result, savings from efficiencies are realized and

stewardship of public funds is improved, thus lowering the risk of fraud, waste, and abuse. Three examples stand out:

E-commerce. As part of the FIAR effort, DON is automating and standardizing business processes, such as bill-paying information. With bill-paying, DFAS offers a substantially lower bill-paying rate when DON sends data in an e-commerce format. Savings through FY 2011 totaled \$4.5 million, with an additional \$6 million projected through FY 2013.

Transportation Incentive Program (TIP) payments. TIP is a locally-administered subsidy for thousands of DON commuters using mass transportation. DON reduced over-payments by more than \$900,000 by conducting a region-by-region review and systematically strengthening program controls. A review of additional regions is planned. More significantly, independent analysis indicates DON can save an additional \$32 million over an 11-year period by automating and strengthening program controls as planned.

Travel funding management. Analysis of DON temporary-duty travel process revealed that liquidated travel vouchers, on average, total \$22 less than originally estimated and requested. By strengthening controls to ensure travel vouchers are submitted more quickly, the "overages" are recouped and applied to other DON requirements. DON estimates about \$1 million per year in funds that would otherwise expire will be freed up for other uses.

II. Supporting Progress and Fostering Success

The Department measures progress toward auditability by milestones achieved in the Components' Financial Improvement Plans (FIPs). While these achievements are significant, a lot of progress is being made outside of the FIPs to ensure leadership and the workforce remain knowledgeable and committed to success.

This section of the Report highlights actions, initiatives, and other activities that support progress and foster success.

LEADERSHIP AND OVERSIGHT

Only two years remain to achieve the goal of Statement of Budgetary Resources (SBR) audit readiness by the end of FY 2014. This was the mandate Secretary Panetta issued in October 2011, and his highly visible commitment to auditability is being echoed by leaders across the Department.

Deputy's Management Action Group

The Deputy Secretary of Defense established the Deputy's Management Action Group (DMAG) to facilitate a common management approach across disparate Department topics and processes. Chaired by the Deputy Secretary of Defense/Chief Management Officer, the DMAG comprises key senior leaders from across the Department.

In addition to other management functions, the DMAG reviews DoD Component FIAR plans and monitors progress. The Components' near-term goals and progress have been the subject of two DMAG meetings this year. The USD(C)/CFO presented the FIAR near-term and long-term goals, thoroughly briefing the members of the DMAG on progress and risks. By engaging the Department's most senior leaders, the DMAG helps hold leadership accountable and helps ensure the Department will meet its audit readiness goals.

Component Leadership

The Service Secretaries and the Chiefs of Staff of the Armed Services have committed to specific goals for achieving auditable financial statements. Senior leadership is deliberately reaching out to express the importance of taking action and making progress. For example:

- Chief of Staff of the Army issued an audit readiness message to all General Officers in April 2012, stating, "Responsible stewardship of taxpayer resources and operating business processes within an effective control environment are consistent with high standards of military readiness and support Army values. Leaders at all levels are responsible for instilling proper levels of discipline and oversight into all business processes within their command." He stated further, "I will routinely review the plan's key milestones and readiness review results to ensure we remain on track. We must make every dollar count and be accountable to ourselves, the Congress, and the American people."
- Commander of the U.S. Army Training and Doctrine Command (TRADOC) in a memorandum to his Command said, "Achieving audit readiness is not optional and is the direct responsibility of every commander, leader, and program manager throughout TRADOC."
- Commander of the Naval Air Systems Command included a specific reference in his "Commander's Intent" for the need to "standardize financial processes in accordance with the Navy's Financial Improvement Program to provide accurate and auditable information that supports program execution decisions."
- Commander of the Air Force Space Command (AFSPC) in a memorandum to his Command said, "To achieve an auditable Statement of Budgetary Resources and then sustain auditable statements for 2017 and beyond, AFSPC has to clear or validate for payment dormant obligations in our accounting records. ...

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these are inefficiencies that we cannot tolerate. Commanders, we will clear all dormant obligations in the expired year appropriations before the appropriation moves to a cancelled year status.”

- Commander of Pacific Air Forces (PACAF) said in a memorandum to his Command in March, “The Air Force’s ability to undergo and obtain a clean audit opinion of our financial statements is a direct reflection of how well we manage the entire Air Force.” He added, “PACAF/FM will take the lead and develop Audit Readiness Working Groups within PACAF with the objective of developing internal and management control programs to assist the base level functional areas achieve audit readiness.”
- Director of the Defense Logistics Agency (DLA) directed the DLA Executive Board to expedite progress and achieve General Fund SBR audit readiness in FY 2014 and full audit readiness by September 30, 2015, two years in advance of the Department’s 2017 goal. “DLA is renowned for leading the Department in accomplishing its most difficult goals. Not only am I confident that we can meet [the Department’s] audit readiness goals, we can exceed them.” The DLA produces both General Fund and Working Capital Fund financial statements.

ADVANCING THE WORKFORCE

Achieving and sustaining auditability hinges on having a knowledgeable, well-trained, and dedicated workforce. To address the needs of the 60,000 DoD financial managers, the Department has instituted a comprehensive professional development program that combines:

- DoD audit-specific courses for developing a deeper understanding of financial improvement and audit readiness, and
- Financial management certification for broadening skills and developing leadership.

FIAR Training

The Department collected best practices, lessons learned, and case studies to develop two series of interactive courses on auditing DoD. More than 2,100 personnel have attended the FIAR courses.

Tier I courses enhance Department-wide knowledge and understanding of the FIAR goals and priorities, introduce the DoD FIAR Guidance, and reinforce the Department’s internal control over financial reporting requirements. Tier II further explores the FIAR Guidance and FIAR Methodology for assessing, improving, and auditing budgetary resources and existence and completeness using case studies. Tier II courses allow for hands-on experience and application of the methodology as it relates to Waves 2 and 3 of the FIAR Strategy (see Appendix 1).

For DoD executives and senior leadership needing to better understand audit readiness, the Department developed FIAR 100, a one-hour session. The FIAR 100 course helps participants better understand the effect operations have on financial management and audit readiness, and identify initiatives at the operational level that will help the Department achieve auditability.

In FY 2012, 37 Tier I and 8 Tier II training sessions were conducted across the country, and the high demand for training continues. For FY 2013, 17 Tier I and 16 Tier II sessions are planned and more may be added. The Department is now designing Tier III courses that will build on the content of the existing courses.

In addition to the FIAR courses, many personnel have attended training delivered by the Components. For example, the Army delivered audit readiness training to over 10,000 personnel at 107 sites, including multiple commands and organizations.

Financial Management Certification

The DoD Financial Management Certification Program is designed to broaden the competencies and advance the professionalism of the financial management workforce. Still in the development stage, the

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program has broad support across the financial management community.

Piloting of the program, which began in July 2012, will be completed in December 2012. Over 650 members of the financial management community are participating in the pilot, and approximately 150 participants from seven different installations have been briefed on program policies and procedures. Many more financial managers have been briefed at meetings and conferences, and more training is planned.

A DoD Instruction will be issued to formalize the program. Once fully implemented, the financial management workforce will have 24 months to achieve one of three certification levels, depending on the responsibilities of their position. To capture certification achievements, the Department implemented a DoD FM Learning Management System (LMS). The LMS documents, tracks, and records accomplishments against specific requirements at each certification level.

The DoD Financial Management Certification Program, which was established under the National Defense Authorization Act of FY 2012, Section 1051, is expected to have a significant impact on achieving and sustaining the Department's goal of auditable financial statements by increasing the competencies and capabilities of the financial management workforce.

AN ALL-HANDS EFFORT

In order for the Department to succeed in reaching its audit readiness goals, personnel throughout the Department must have a basic understanding of what audit means, and financial and functional managers must have tools and information to help them get the job done.

Secretary's Video Message

In a videotaped message to all-hands, Secretary Panetta declared the Department's effort to become audit ready a Department-wide

priority. Calling for all DoD personnel to manage their books as tightly as they manage their operational mission, the Secretary listed three things everyone should do right away:

1. Check expense information for accuracy and completeness, and be sure expenses are entered into the right financial system.
2. Treat every dollar as if it was your own.
3. Build accurate, complete, and reliable property, equipment, and supplies records, and turn in unused equipment.

First shown to the over 500 people participating in the May 23, 2012, SES Town Hall, the video message is available under HOME on the DoD Financial Improvement and Audit Readiness public website at <http://comptroller.defense.gov/FIAR/>.

SES Town Hall Meeting

More than 500 gathered in-person and online for an audit readiness town hall meeting for members of the Senior Executive Service who have audit readiness goals in their performance plans. Hosted by the Deputy Secretary of Defense and the Under Secretary of Defense (Comptroller), the meeting called on leaders with audit readiness responsibilities to push the word down that audit readiness is an all-hands effort.

Outreach efforts such as the town hall are important to the Department's efforts to reach people who do not have direct audit responsibilities but whose job affects audit readiness. The Deputy Secretary called audit readiness a decentralized effort that must perfuse the institution, and he introduced the Secretary's video message. The USD(C)/CFO then spoke to the details of auditability and tools available, such as the Commander's Checklist. A video recording of SES Town Hall meeting is also available under HOME on the DoD Financial Improvement and Audit Readiness public website at <http://comptroller.defense.gov/FIAR/>.

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Commander's Checklist

The Commander's Audit Readiness Checklist is a tool designed for commanders and directors to use to ensure their commands and directorates are able to produce complete, accurate, and reliable records needed for audit. The checklist addresses seven major uses of funds: Appropriations, Reimbursable Orders – Acceptor, Military Pay, Civilian Pay, Major Contracts and Vendors, Interagency Purchases, and Supply Requisition (MILSTRIP). A checklist for existence and completeness of assets is also included.

Checklist steps are organized around funding and asset lifecycles. During an audit, the Department documents the status of funds at each phase of the funding lifecycle. Commanders are being asked to distribute the checklist to the respective responsible organization for each use of funds addressed by the checklist. Each organization then completes the steps in the checklist and retains documentation that shows every step was performed. By completing the checklist, Commanders ensure they have the financial information needed to make sound resource decisions and the Department has the records needed to succeed in upcoming audits.

The Commander's Audit Readiness Checklist was distributed to the heads of the Defense Agencies. Each Military Service also distributed a checklist. An overview, instructions for use, and checklists for major uses of funds and existence and completeness, as well as links to the Services' checklists are available at <http://comptroller.defense.gov/FIAR/cmdersChklist.html>.

Expanding Outreach

Through the Office of the Deputy Chief Financial Officer, the Department issues Defense Audit Readiness News, a monthly newsletter for financial and functional managers engaged in the audit effort. The newsletter provides a means for sharing news and best practices quickly and directly. Nearly 2,500 people currently subscribe, and the number of subscribers is growing rapidly.

The FIAR Group on milBook is another way the Department is expanding outreach. The CAC-enabled milBook provides users a chance to connect to other users through online working groups and community spaces, and offers users the ability to share knowledge and experiences through four blogs, discussion threads, wikis, and community tags. The FIAR Group has over 500 active members.

Across the Components

The Components are also making great strides in getting out the “all-hands” message. In addition to the Services issuing their own Commander's Checklists, the Services and many Components are maintaining audit websites, issuing newsletters and videos, and delivering training. For example:

- The Army Accountability and Audit Readiness Directorate offers a three-tier curriculum for educating Army professionals on audit readiness. The courses are designed to build a foundation for audit readiness with an overview, and then teach professionals how to prepare for an audit and sustain audit readiness. Additionally, the Army will be rolling out audit readiness web-based training on the Army Learning Management System.
- The Department of the Navy issued a video to inspire all-hands to join the audit readiness effort. In the video, people from across DON talk about what being audit ready means to them and how audit readiness is more than a financial management initiative. Designed to raise awareness and inspire people to take action and get involved, the video is the most visited page on the DON FMO website, surpassing pages on pay and other frequently sought information. To watch the video, visit <http://www.fmo.navy.mil>, DON repository for resources and news related to audit readiness.
- The Air Force maintains the online Financial Management Knowledge Management community of practice. Through the community of practice, the Air Force distributes a quarterly newsletter, tools, and best practices. In addition, the Air Force

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launched a comprehensive communications plan, which includes a new logo and tagline for audit readiness designed to raise awareness. See Section V for more information.

IMPROVING THE FIAR METHODOLOGY

Since May 2009, the DoD Components have been following the FIAR Guidance and Methodology to achieve audit readiness. As the Components progress toward audit readiness, the Department periodically enhances and modifies the FIAR Methodology to incorporate feedback and lessons learned. In August 2012, the FIAR Governance Board approved two changes to the FIAR Methodology. Each change is briefly explained below, and the FIAR Methodology in Appendix I reflects these changes.

Limiting the Scope of First Year SBR Audits

The scope of first year audits of the SBR in FY 2015 will be limited to audits of schedules containing only current year appropriation activity. This change will provide critical insight into whether a Component's current business and financial practices, processes, controls, and systems support auditability. Audits of schedules containing current year activity will allow Components to assess progress and identify audit issues in a way that a disclaimer on full financial statements does not. While a disclaimer also involves detailed comments on issues, the auditor cannot provide a clear indication of how much progress has been made or how close an entity is to an opinion.

Upon successful audits of current year appropriation activity, the Components will then commence audits of the complete SBR. Although the full scope SBR audit may result in a disclaimer, Congress and the public can have confidence that significant progress has been made while the Components either address prior year activity or the activity becomes immaterial over time.

Timing of IPA Examinations

To accelerate audit readiness efforts, the second approved change to the FIAR Methodology moves independent auditor examinations earlier in the FIAR Methodology process – during the Evaluation Phase, rather than in the Validation Phase.

The previous FIAR Methodology used auditors to independently verify the audit readiness assertions after the Component had self-identified weaknesses, corrected them, and tested the corrective actions to ensure that the issues have been addressed. Although it remains important to first identify issues and implement basic financial controls and retain supporting documents, an examination by an experienced independent auditor to confirm the effectiveness of internal controls and supporting documentation is more effective than a Component's self-evaluation. An auditor examination allows an independent perspective and assessment of an entity's processes, controls, and supporting documentation.

MOCK AUDITS

The Department has deployed several teams of federal financial statement auditors to perform mock audits on key assessable units. Mock audits are planned and executed using the same procedures, tools, and techniques that auditors would employ during an audit, but because the auditors work for management, the auditors are not considered independent. The mock audits include evaluating manual business processes and related systems used to process transactions affecting the Department's financial statements.

The Department recently used the mock audit approach to assess DFAS Military Pay audit readiness efforts. DFAS audit readiness team, supported by a FIAR mock audit team, developed a plan to assert Military Pay audit readiness in a little over one year's time. The mock audit team completed the Discovery, Corrective Action, and Validation phases of the FIAR Methodology, using a mock audit approach. Then, working on a typical audit timeline, they quickly performed process mapping, controls identification, and controls

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testing for all material military pay processes and manual and IT controls within DFAS.

As discovery testing was completed, the mock audit team issued Notifications of Findings and Recommendations (NFRs) that summarized all internal control design and operating effectiveness deficiencies. These NFRs detailed any audit readiness impediments, the cause of the impediments, as well as recommendations on how to remediate the findings. NFRs provided DFAS management a discrete list of findings that needed remediation. As corrective action plans were developed and implemented, the mock audit team shared best practices and feedback to help ensure corrective actions were sufficient. As assertions were made that the corrective actions were successfully implemented, the mock audit team performed validation testing to verify the fixes were effective.

At the completion of the effort, the mock audit team developed a report using an identical structure to a Statement on Standards for Attestation Engagements (SSAE) No. 16 examination report. The

report from the mock audit provided DFAS management a picture of what they would expect to see had they formally engaged auditors to perform an examination. This report was used as assertion documentation to demonstrate to the Department that appropriate evaluation of controls had been performed and that Military Pay was ready for an SSAE No. 16 examination.

More mock audits are being planned and benefit the Department by:

- Providing process and system owners with NFRs, containing specific details on key impediments to audit readiness, the causes, and recommendations for remediation.
- Executing discovery phase over a shorter period of time, helping accelerate audit readiness efforts in key areas.
- Producing a mock audit report that provides an early indication of the actual audit.
- Providing a set of work products that will be used to demonstrate audit-readiness during assertion phase.

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

In the last three years the Army has taken unprecedented steps in transforming its business operations, with more changes coming. The result will be an Army that can produce timely, relevant, accurate, and auditable financial information that supports the highest standards of military readiness. Increasing financial accountability and achieving audit readiness go hand in hand with Secretary McHugh's vision of a leaner, faster, and more adaptable Army.



I recognize the challenges we face, but I am confident we are executing a sound plan. I have determined that the Army will achieve audit readiness of the Statement of Budgetary Resources by September 30, 2014, as required by the Secretary of Defense and the Congress, without an unaffordable or unsustainable level of one-time fixes and manual work-arounds and without delaying full auditability of the Army's financial statements by September 30, 2017. Our plan is sufficiently resourced, has the full support of the Army's top leadership, and has demonstrated success by meeting its milestones. The most notable milestone is the full deployment of the General Fund Enterprise Business System (GFEBS) to more than 55,000 users at more than 200 locations across the Army. As one of the largest enterprise resource planning systems in the world, GFEBS gets us closer to audit readiness by automating many internal controls and standardizing business processes throughout the Army.

We must continue to hold ourselves to the highest standards of accountability in our business operations. We owe it to Congress, the American taxpayers, and our Soldiers to succeed in this endeavor.

A handwritten signature in black ink, appearing to read "Joe Westphal".

Joseph W. Westphal
Under Secretary and Chief Management Officer
Department of the Army

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III. Army Audit Readiness Plans

The senior leaders of the Department of the Army are actively engaged in financial improvement. The Secretary of the Army directed all senior Army leaders to:

- Proactively support the Office of the Assistant Secretary of the Army for Financial Management and Comptroller (OASA(FM&C)) audit readiness activities.
- Identify a single point of contact responsible for coordinating audit readiness activities within their organization.
- Include audit readiness goals in the annual performance plans of all members of the Army's Senior Executive Service.

To achieve the Department's FIAR objectives, the Army has deployed resources and developed an infrastructure to perform financial improvement activities throughout the organization. This infrastructure helps define and execute the Army's Financial Improvement Plan (FIP), which is maintained by the OASA(FM&C) and includes specific, measurable actions necessary to remedy audit readiness impediments. Some of these impediments include:

- Lack of audit readiness awareness and requirements.
- Acquisition and retention of supporting documentation.
- Outdated or missing standard operating procedures to support effective controls.

The OASA(FM&C) has taken aggressive actions to address the impediments to audit readiness.

To communicate the Army's audit readiness requirements, the OASA(FM&C) is using multiple forums to increase awareness and support across the Army, including FIP In-process Reviews, Audit Committee meetings, Senior Leader Steering Group meetings, and the annual Army Financial Improvement Workshop. These forums

ensure business process owners understand their role in the Army's approach to achieving audit readiness and have an opportunity to provide progress reports. To complement these important forums, the Army communicates its audit readiness strategy to a broad audience through several web-based and print media.



The Army provides regular updates to business process owners across the Army through a quarterly newsletter. *The FIP Report* provides updates on audit readiness activities, and information on upcoming training and other financial management topics.

In August 2012, the Army updated *The Audit Readiness Command and Installation Guide*, its guide for commands and installations to use in preparing for audits. First developed in February 2012, the guide provides a description of supporting resources available to commands and installations for becoming audit ready. It also includes a description of key internal control activities identified for each command and installation, including authoritative guidance and policies requiring the internal control activities. The guide addresses



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common internal control deviations discovered by Army audit readiness teams during discovery and testing site visits.

To better assist Army Commanders in enabling and embedding audit readiness as a daily business function, the Army updated its Commander's Checklist in September 2012. The checklist includes relevant key internal control activities that coincide with those key controls contained in *The Audit Readiness Command and Installation Guide*. The Army will monitor each command's progress toward financial management effectiveness and audit readiness through periodic *Checklist Status Reports*. In these reports, each Army command must indicate whether key controls are in place and operating effectively. The first submissions of these reports are due mid-December 2012.

The newsletter, guide, checklist, and other resources can be found on the Army Knowledge Online (AKO) Audit Readiness site, as well as the OASA(FM&C) public website.

In addition, the Army continues to deliver the audit readiness training curriculum to ensure personnel at all levels have the knowledge and skills needed to function effectively in an audit ready environment. The training offers a comprehensive approach to audit preparation and awareness, as well as improvements to business processes and controls that support audit readiness.

Training, both instructor led and offered through the Army Learning Management System (ALMS), is based on the following framework:

- Foundation (Army Audit Readiness and Army FIP courses)
- Readiness (Internal Controls, Testing, and Corrective Action courses)
- Sustainment (Statement of Budgetary Resources (SBR) and Existence and Completeness Audit Readiness courses)

As of September 2012, the OASA(FM&C) delivered audit readiness training to over 10,000 personnel at 107 sites, including multiple

commands and organizations. Training is available Army-wide for Army senior leadership, business process owners, internal review, and functional offices. In preparation for audit readiness sustainment, testing workshops are conducted for internal review personnel. The workshops provide hands-on training that addresses performing test procedures, reviewing supporting documentation, and determining test results.

The Army has fully resourced and is executing a comprehensive audit readiness plan to allow it to achieve audit readiness requirements and, more importantly, sustain these improvements. The Army's approach aligns with the deployment of modern financial systems and focuses heavily on training and developing Army personnel across all business processes to support and sustain financial improvement.

GFEBs FULL DEPLOYMENT

In July 2012, the Army completed deployment of its enterprise resource planning system, General Fund Enterprise Business System (GFEBs). GFEBs has more than 53,000 users at 227 locations in 71 countries and impacts nearly every Army organization and function. A web-enabled financial, asset, and accounting management system, GFEBs is a standard general ledger compliant system that replaces numerous financial databases all of which were on different cycles. The real-time nature of GFEBs has reduced the need for data calls and gives the Army more accurate data on funds availability and execution.

SBR EXAMINATION 2 ASSERTION

The Army asserted audit readiness for the General Fund SBR Examination 2 in June 2012. The assertion covered 10 installations where GFEBs was deployed. The examination included the following nine business processes and information technology (IT) controls:



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- Funds Receipt and Distribution
- Contracts
- Reimbursables – Inbound (Acceptor) and Outbound (Grantor)
- Temporary Duty Travel
- Civilian Payroll
- Government Purchase Card
- Miscellaneous Pay
- Supply Requisition
- Financial Reporting
- GFEBS IT Controls

This is the second of three preliminary examinations conducted by an Independent Public Accounting (IPA) firm to test and validate processes and controls before the full SBR assertion deadline in FY 2014. The IPA report for Examination 2 is expected in Quarter 2 of FY 2013.

OM&S “QUICK WINS” ASSERTION

In June 2012, the Army asserted audit readiness for Operating Materials and Supplies (OM&S) “Quick Wins” assets for existence, completeness, and rights and obligations. The OM&S “Quick Wins” initiative focused on three tactical missile programs within Class V supply (ammunition)—the Hellfire, Javelin, and Tube-launched, Optically-tracked, Wire-guided (TOW) missiles (excluding assets scheduled for demilitarization). The “Quick Wins” approach is the model for discovery for the remainder of OM&S assets, which will be asserted as audit ready in December 2013. The DoD Office of the Inspector General (DoD OIG) report for OM&S “Quick Wins” assets is expected in FY 2013.

The Army has begun its discovery work for all OM&S assets to support the planned assertion in December 2013. This effort expands the Army’s audit readiness efforts to all Class V supply assets.

REAL PROPERTY “QUICK WINS” ASSERTION

In December 2012, the Army will assert existence, completeness, and rights and obligations audit readiness for Real Property “Quick Wins” assets at 23 installations. The Army selected these installations because they reported substantial progress in capturing supporting documentation for real property assets. The 23 “Quick Wins” installations will serve as the discovery model for the entire real property universe, which is planned for assertion in September 2014. The “Quick Wins” represent approximately 25 percent of the Army’s real property assets reported on the Balance Sheet.

FISCAM ASSESSMENTS

The Army’s audit readiness effort requires control assessments of business and feeder systems that will continue to be operational in FY 2017. The assessments include evaluating, documenting, and testing the design and operating effectiveness of key internal controls critical to financial reporting.

The Army is conducting Federal Information System Controls Audit Manual (FISCAM) assessments of GFEBS and the Global Combat Support System-Army (GCSS-A) system. These systems are built on SAP software to support the Army’s audit readiness goals. The Army completed an initial assessment of GFEBS and is in the process of assessing GCSS-A controls within four critical areas:

- Information Technology General Controls: Basic Systems Management, including Operations, Security and Release (Configuration) Management



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- Data Integrity Management: Interface Controls
- Access Management: User Access and Segregation of Duties
- Business Process Controls: Systematic Configurable Controls

The assessments align with the DoD FIAR Guidance, Federal Information Security Management Act of 2002, and Office of Management and Budget (OMB) Circulars A-123, Management's Responsibility for Internal Control, and A-130, Management of Federal Information Resources.

The FISCAM assessment of GFEBS began in January 2011, finished in March 2012, and included key controls critical to the upcoming examination of the General Fund SBR business processes at installations included in GFEBS deployment Waves 1 and 2. Observations from this assessment indicated risks in system access and security monitoring, which is consistent with a system deployment of this magnitude. The Army created a corrective action plan with milestones to manage the control gaps, and remediated and retested the high risk items. The risks will be validated during the Quarter 1 of FY 2013 by an IPA firm.

The GCSS-A assessment began in September 2011 with a focus on the status of key policies and procedures. The Army will remediate control gaps by December 31, 2012. The GCSS-A will be included in the third SBR examination scheduled to begin in Quarter 4 of FY 2013.

ONLINE AUDIT READINESS TRAINING

In June 2012, the Army began offering online training courses through ALMS to a broader audience and to enable annual sustainment training. The training is designed to provide a consistent audit readiness message and understanding of SBR and existence and completeness audit readiness activities, business process controls, testing, and corrective action implementation. This web-based training mirrors the content covered in the classroom, specifically:

- Army Audit Readiness and Army FIP (available Quarter 4 of FY 2012)
- Internal Controls, Testing, and Corrective Action (available Quarter 1 of FY 2013)
- SBR and Existence and Completeness Audit Readiness (available Quarter 2 of FY 2013)



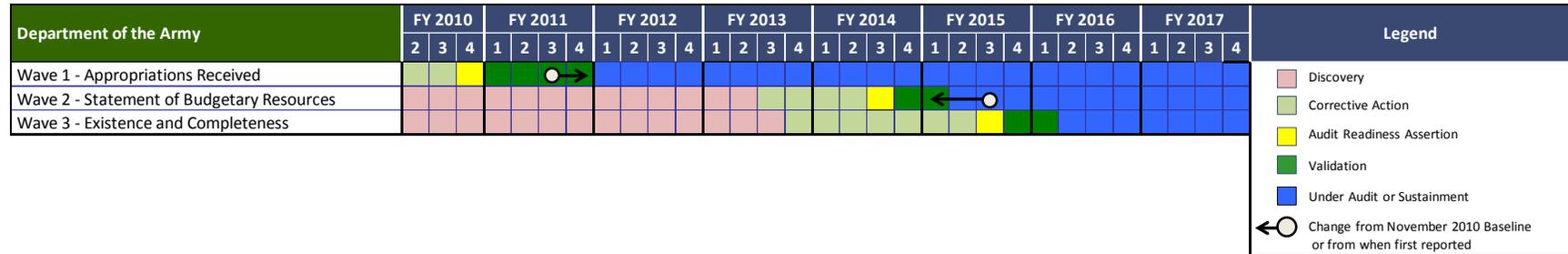
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Figure III-1 provides the Army audit readiness plans for Wave 1, Appropriations Received; Wave 2, SBR; and Wave 3, Existence and Completeness of Mission Critical Assets. The figure also identifies

milestone changes from the baseline established in the November 2010 FIAR Plan Status Report.

Figure III-1. Army Summary Audit Readiness Plans by Wave



STATEMENT OF BUDGETARY RESOURCES (WAVE 1 & WAVE 2)

In accordance with DoD FIAR goals and objectives, the National Defense Authorization Act for FY 2010, and Under Secretary of the Army guidance, the Army initiated a General Fund SBR discovery and evaluation effort in March 2010.

Appropriations Received (Wave 1)

The Army asserted audit readiness of the General Fund SBR Appropriations Received line item on September 28, 2010, and an IPA issued an unqualified opinion on the audit readiness assertion on August 19, 2011. This clean opinion marked a significant accomplishment in the Army's General Fund SBR audit readiness efforts. While the IPA identified four findings, it confirmed the Army had previously identified and implemented corrective actions

to improve oversight of the monthly reconciliations conducted by DFAS and to establish and maintain local standard operating procedures for the funds distribution and reporting processes. The Appropriations Received line on the FY 2010 General Fund SBR totaled \$232 billion, accounting for approximately 70 percent of the Army's total budgetary resources.

Statement of Budgetary Resources (Wave 2)

The Army's audit readiness plan includes three successive examinations between the years 2011 – 2013. Each examination builds in scope, both in number of installations and number of business processes. Examination 1 included the three installations that were the first installations to receive GFEBs and covered five business processes. Examination 2, underway now, expanded to 10 installations, as well as DFAS operations, and encompassed 10 business processes, as well as GFEBs IT controls. Examination 3,



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in 2013, will include all Army installations, service providers, IT controls, and all business processes except military pay, which will not be recorded in and reported from GFEBIS until FY 2014.

The Army synchronized its SBR audit readiness site visit schedule directly with the GFEBIS deployment plan because of the importance of GFEBIS to Army audit readiness. By integrating GFEBIS deployment with SBR discovery and evaluation visits, the Army is validating its business processes and quickly discovering system and process deficiencies in the GFEBIS environment. Along with performing discovery and evaluation site visits at GFEBIS locations, the Army, jointly with DFAS, is conducting discovery, evaluation, and testing for Government Purchase Card, Civilian Pay, Miscellaneous Payments, Supply Requisitions, Military Pay, Contracts (Standard Procurement System), Reimbursable Orders, Temporary Duty Travel (Defense Travel System (DTS)), Financial Reporting, and Fund Balance with Treasury (FBWT) business processes. Needed process changes or internal control modifications identified through the course of these site visits become tasks in the Army FIP and, upon full completion of these corrective actions, the Army will conduct follow-up testing to ensure that the controls are operating as expected.

The Army is applying lessons learned from organizations that are preparing for, undergoing, or have successfully completed financial statement audits, including the U.S. Army Corps of Engineers Civil Works, Navy, Air Force, and U.S. Marine Corps. The Army has made significant progress because of these lessons learned, including a focus on document retention requirements, systems controls, and personnel training and development. By using past Government Accountability Office (GAO), DoD OIG, and Army Audit Agency (AAA) audit reports, the Army has been able to quickly identify risks and potential weaknesses.

In November 2011, an IPA issued a qualified opinion for SBR Examination 1. The scope of the examination included manual controls for five business processes at three locations:

- Fort Benning: IMCOM and TRADOC
- Fort Jackson: IMCOM and TRADOC
- Fort Stewart: IMCOM and FORSCOM

The five business processes were:

- Civilian Permanent Change of Station (PCS) Travel
- Funds Receipt, Distribution, and Monitoring
- Contracts executed in the Standard Procurement System
- Temporary Duty (TDY) Travel executed in the Defense Travel System
- Reimbursable Transactions – Inbound and Outbound

The IPA firm found consistency of standardized business processes across all three sites. The audit report listed one material weakness, one significant deficiency, and one material deviation. During the examination, the IPA findings identified best practices to improve the Army's business processes. A weakness that stood out was the lack of supporting documentation to support testing. The IPA firm recommended civilian PCS travel be removed as a process to evaluate, because the funds associated with this process were not material. Therefore, PCS is not included in future examinations.

The Army asserted audit readiness for SBR Examination 2 in June 2012. The scope included the following sites:

- Fort Benning: IMCOM and TRADOC
- Fort Jackson: IMCOM and TRADOC
- Fort Stewart: IMCOM and FORSCOM
- Fort Bragg: IMCOM and FORSCOM
- Fort Campbell: IMCOM and FORSCOM
- Fort Drum: IMCOM and FORSCOM



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- Fort Gordon: IMCOM and TRADOC
- Fort Knox: IMCOM
- Fort Polk: IMCOM and FORSCOM
- Fort Rucker: IMCOM and TRADOC

In addition to SBR Examination 1 processes (excluding Civilian PCS Travel), Examination 2 encompassed four additional processes:

- Civilian Payroll
- Miscellaneous Payments
- Purchase Card Transactions
- Supply Requisition

Examination 2 also encompassed GFEBs general and application controls, and DFAS operations. The IPA report for Examination 2 is expected in Quarter 1 of FY 2013.

The Army will employ an IPA to conduct one additional examination, SBR Examination 3, in FY 2013. SBR Examination 3 will encompass all Army business processes within the GFEBs environment, including GCSS-A system controls and business processes. Examination 3 will not include military pay. Military pay will not be recorded in or reported through GFEBs until FY 2014.

These IPA examinations serve a critical role by providing an external validation of the Army's audit readiness, as well as recommendations for business process and audit support improvements. Using the three examinations of the SBR over a three year period will prepare the Army to successfully assert audit readiness of the General Fund SBR, for all General Fund activity, including military pay, by June 2014.

SBR Assessable Units

Figure III-2 provides the Army audit readiness plans for the SBR by assessable unit. It also identifies the changes to milestones from the baseline established in the November 2010 FIAR Plan Status Report or from when first reported. The SBR assessable units are:

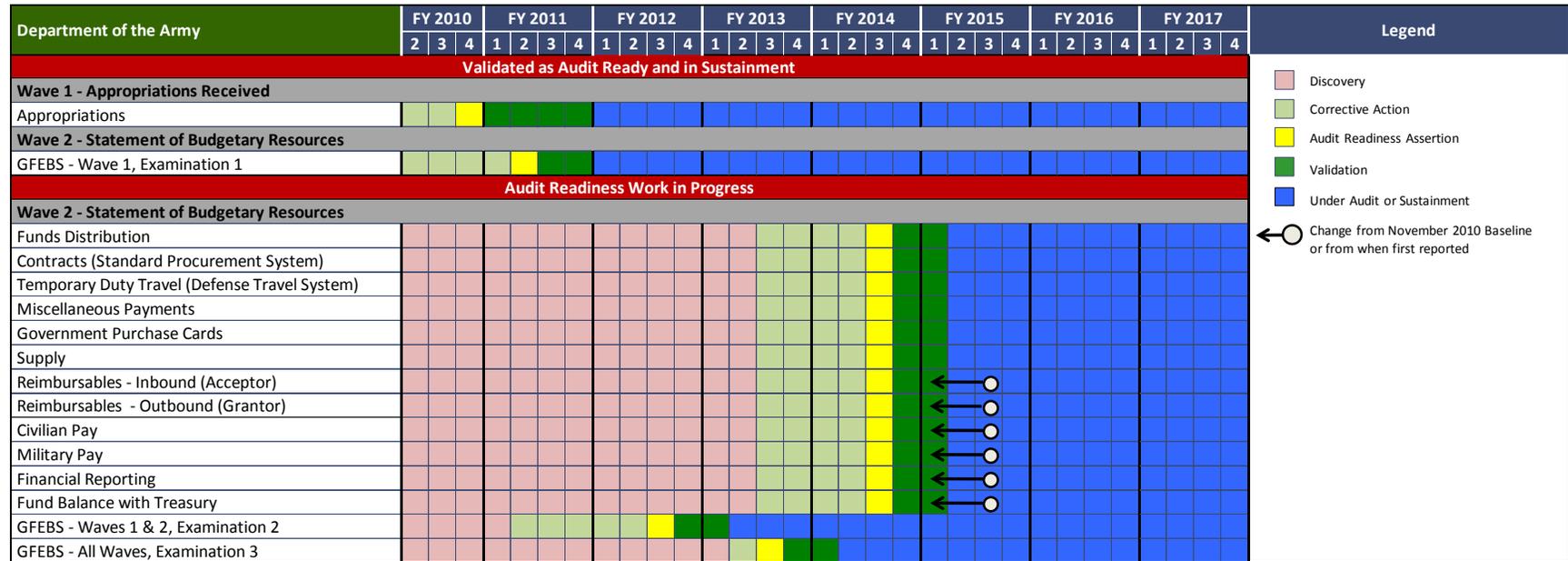
- Appropriations Received
- Funds Distribution
- Contracts (Standard Procurement System)
- Temporary Duty Travel (Defense Travel System)
- Miscellaneous Payments
- Government Purchase Cards
- Supply Requisition
- Reimbursables – Inbound (Acceptor) and Outbound (Grantor)
- Civilian Pay
- Military Pay
- Financial Reporting
- Fund Balance with Treasury



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Figure III-2. Army SBR Audit Readiness Plans by Wave





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Appropriations Received

Strategy Summary

- Army asserted audit readiness of the General Fund SBR Appropriations Received line item in 09/2010.
- Army identified and implemented corrective actions to improve oversight of the monthly reconciliations conducted by DFAS and to establish and maintain local standard operating procedures for the funds distribution and reporting processes.
- Corrective actions were addressed before the IPA started its engagement. The IPA confirmed that all corrective actions were addressed.
- The IPA issued an unqualified opinion in 08/2011.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Implement Corrective Actions	✓
Validate Corrective Actions	✓
Assertion	✓

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Apportionments agree to total amount appropriated.	OASA(FM&C)	✓
Allotted amounts agree to total amount apportioned/appropriated.	OASA(FM&C)	✓
Current year funds are recorded accurately and are valid.	OASA(FM&C)	✓
Current year funds are recorded in the general ledger in the correct period.	OASA(FM&C)	✓
Other activity (e.g., undistributed amounts) that affect the balance of the current year funds distributed within the organization are recorded accurately.	OASA(FM&C)	✓
Material systems achieve the relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), DFAS	✓



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Funds Distribution

Strategy Summary

- Provide internal control training to Army control owners.
- Complete and execute corrective action plans (CAPs) for known deficiencies and weaknesses.
- Identify mitigating controls and/or substantive procedures to support assertion in absence of CAPs.
- Perform test of effectiveness over internal controls subsequent to training.
- Issue a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	03/2013
Process Documentation	12/2012
Test Plans	03/2013
Conduct Control Testing	03/2013
Conduct Balance Testing	03/2013
Implement Corrective Actions	03/2014
Validate Corrective Actions	05/2014
Assertion	06/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Current year funds distributed are recorded timely in the Distribution System.	OASA(FM&C)	05/2014
Current year funds distributed are recorded accurately in the Distribution System and are valid.	OASA(FM&C)	05/2014
Current year sub-allotments are recorded timely.	OASA(FM&C)	05/2014
Current year sub-allotments are recorded accurately and are valid.	OASA(FM&C)	05/2014
Current year funds distributed are recorded timely in the General Ledger.	OASA(FM&C)	05/2014
Current year funds distributed are recorded accurately in the General Ledger and are valid.	OASA(FM&C)	05/2014
Other activity (e.g., undistributed amounts) is recorded accurately in the General Ledger balance with current year funds distributed within the organization.	OASA(FM&C)	05/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C)	05/2014



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Contracts (Standard Procurement System)

Strategy Summary

- Provide internal control training to Army control owners.
- Complete and execute CAPs for known deficiencies and weaknesses.
- Identify mitigating controls and/or substantive procedures to support assertion in absence of CAPs.
- Perform test of effectiveness over internal controls subsequent to training.
- Issue a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	03/2013
Process Documentation	12/2012
Test Plans	03/2013
Conduct Control Testing	03/2013
Conduct Balance Testing	03/2013
Implement Corrective Actions	03/2014
Validate Corrective Actions	05/2014
Assertion	06/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Obligations are recorded timely.	OASA(FM&C), DFAS	05/2014
Obligations are valid and recorded accurately.	OASA(FM&C), DFAS	05/2014
Accruals and/or payables are recorded timely.	OASA(FM&C), DFAS	05/2014
Accruals and/or payables are valid and recorded accurately.	OASA(FM&C), DFAS	05/2014
Disbursements are recorded timely.	OASA(FM&C), DFAS	05/2014
Disbursements are valid and recorded accurately.	OASA(FM&C), DFAS	05/2014
Stale or invalid obligations and accruals are removed.	OASA(FM&C), DFAS	05/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), PEO-EIS, DFAS, DLA	05/2014



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Temporary Duty Travel (Defense Travel System)

Strategy Summary

- Provide internal control training to Army control owners.
- Complete and execute CAPs for known deficiencies and weaknesses.
- Identify mitigating controls and/or substantive procedures to support assertion in absence of CAPs.
- Perform test of effectiveness over internal controls subsequent to training.
- Issue a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	03/2013
Process Documentation	12/2012
Test Plans	03/2013
Conduct Control Testing	03/2013
Conduct Balance Testing	03/2013
Implement Corrective Actions	03/2014
Validate Corrective Actions	05/2014
Assertion	06/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Travel information is recorded timely.	OASA(FM&C), DFAS	05/2014
Travel information is valid and recorded accurately.	OASA(FM&C), DFAS	05/2014
Travel costs are calculated correctly and are processed accurately.	OASA(FM&C), DFAS	05/2014
Travel obligations, expenses, accruals, and disbursements are recorded timely.	OASA(FM&C), DFAS	05/2014
Travel obligations, expenses, accruals, and disbursements are valid and recorded correctly.	OASA(FM&C), DFAS	05/2014
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	OASA(FM&C), DFAS	05/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives	OASA(FM&C), PEO-EIS, DFAS, DLA	05/2014



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Miscellaneous Payments

Strategy Summary

- Provide internal control training to Army control owners.
- Complete and execute CAPs for known deficiencies and weaknesses.
- Identify mitigating controls and/or substantive procedures to support assertion in absence of CAPs.
- Perform test of effectiveness over internal controls subsequent to training.
- Issue a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	03/2013
Process Documentation	12/2012
Test Plans	03/2013
Conduct Control Testing	03/2013
Conduct Balance Testing	03/2013
Implement Corrective Actions	03/2014
Validate Corrective Actions	05/2014
Assertion	06/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Obligations are recorded timely.	OASA(FM&C), DFAS	05/2014
Obligations are valid and recorded accurately.	OASA(FM&C), DFAS	05/2014
Accruals and/or payables are recorded timely.	OASA(FM&C), DFAS	05/2014
Accruals and/or payables are valid and recorded accurately.	OASA(FM&C), DFAS	05/2014
Disbursements are recorded timely.	OASA(FM&C), DFAS	05/2014
Disbursements are valid and recorded accurately.	OASA(FM&C), DFAS	05/2014
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	OASA(FM&C), DFAS	05/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), PEO-EIS, DFAS, DLA	05/2014



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Government Purchase Cards

Strategy Summary

- Provide internal control training to Army control owners.
- Complete and execute CAPs for known deficiencies and weaknesses.
- Identify mitigating controls and/or substantive procedures to support assertion in absence of CAPs.
- Perform test of effectiveness over internal controls subsequent to training.
- Issue a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	03/2013
Process Documentation	12/2012
Test Plans	03/2013
Conduct Control Testing	03/2013
Conduct Balance Testing	03/2013
Implement Corrective Actions	03/2014
Validate Corrective Actions	05/2014
Assertion	06/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Obligations are recorded timely.	OASA(FM&C), DFAS	05/2014
Obligations are valid and recorded accurately.	OASA(FM&C), DFAS	05/2014
Accruals and/or payables are recorded timely.	OASA(FM&C), DFAS	05/2014
Accruals and/or payables are valid and recorded accurately.	OASA(FM&C), DFAS	05/2014
Disbursements are recorded timely.	OASA(FM&C), DFAS	05/2014
Disbursements are valid and recorded accurately.	OASA(FM&C), DFAS	05/2014
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	OASA(FM&C), DFAS	05/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), PEO-EIS, DFAS, DLA	05/2014



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Supply

Strategy Summary

- Provide internal control training to Army control owners.
- Complete and execute CAPs for known deficiencies and weaknesses.
- Identify mitigating controls and/or substantive procedures to support assertion in absence of CAPs.
- Perform test of effectiveness over internal controls subsequent to training.
- Issue a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	03/2013
Process Documentation	12/2012
Test Plans	03/2013
Conduct Control Testing	03/2013
Conduct Balance Testing	03/2013
Implement Corrective Actions	03/2014
Validate Corrective Actions	05/2014
Assertion	06/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Obligations are recorded timely.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Obligations are valid and recorded accurately.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Accruals and/or payables are recorded timely.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Accruals and/or payables are valid and recorded accurately.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Disbursements are recorded timely.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Disbursements are valid and recorded accurately.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), PEO-EIS, DFAS, DLA	05/2014



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Reimbursables – Inbound (Acceptor)

Strategy Summary

- Provide internal control training to Army control owners.
- Complete and execute CAPs for known deficiencies and weaknesses.
- Identify mitigating controls and/or substantive procedures to support assertion in absence of CAPs.
- Perform test of effectiveness over internal controls subsequent to training.
- Issue a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	03/2013
Process Documentation	12/2012
Test Plans	03/2013
Conduct Control Testing	03/2013
Conduct Balance Testing	03/2013
Implement Corrective Actions	03/2014
Validate Corrective Actions	05/2014
Assertion	06/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Unfilled customer orders are recorded timely.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Unfilled customer orders are valid and recorded accurately.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Revenue/IPAC collections are recorded timely.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Revenue/IPAC collections are valid and recorded accurately.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Unfilled customer orders and uncollected customer payments/accounts receivable are reviewed, and adjusted as necessary, at least three times per year.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), PEO-EIS, DFAS, DLA	05/2014



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Reimbursables – Outbound (Grantor)

Strategy Summary

- Provide internal control training to Army control owners.
- Complete and execute CAPs for known deficiencies and weaknesses.
- Identify mitigating controls and/or substantive procedures to support assertion in absence of CAPs.
- Perform test of effectiveness over internal controls subsequent to training.
- Issue a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	03/2013
Process Documentation	12/2012
Test Plans	03/2013
Conduct Control Testing	03/2013
Conduct Balance Testing	03/2013
Implement Corrective Actions	03/2014
Validate Corrective Actions	05/2014
Assertion	06/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Obligations are recorded timely.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Obligations are valid and recorded accurately.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Accruals and/or payables are recorded timely.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Accruals and/or payables are valid and recorded accurately.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Disbursements are recorded timely.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Disbursements are valid and recorded accurately.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	OASA(FM&C), G-4, IMCOM, TRADOC, FORSCOM, AMC, DFAS	05/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), PEO-EIS, DFAS, DLA	05/2014



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Civilian Pay

Strategy Summary

- Provide internal control training to Army control owners.
- Complete and execute CAPs for known deficiencies and weaknesses.
- Identify mitigating controls and/or substantive procedures to support assertion in absence of CAPs.
- Perform test of effectiveness over internal controls subsequent to training.
- Issue a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	03/2013
Process Documentation	12/2012
Test Plans	03/2013
Conduct Control Testing	03/2013
Conduct Balance Testing	03/2013
Implement Corrective Actions	03/2014
Validate Corrective Actions	05/2014
Assertion	06/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Civilian personnel actions are valid and recorded accurately.	OASA(FM&C), G-1, CHRA	05/2014
Civilian personnel actions are recorded timely.	OASA(FM&C), G-1, CHRA	05/2014
T&A information is valid and recorded correctly.	OASA(FM&C), G-1, CHRA	05/2014
T&A information is recorded timely.	OASA(FM&C), G-1, CHRA	05/2014
Bi-weekly payroll is calculated and processed correctly.	OASA(FM&C), DFAS	✓
Payroll obligations, expenses, accruals, and disbursements are valid and are correctly recorded.	OASA(FM&C), DFAS	05/2014
Payroll obligations, expenses, accruals and disbursements are recorded timely.	OASA(FM&C), DFAS	05/2014
Stale obligations and accruals are removed from the general ledger(s) timely.	OASA(FM&C), DFAS	05/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), PEO-EIS, DFAS, DLA	05/2014



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Military Pay

Strategy Summary

- Document end-to-end processes (including DFAS processes).
- Perform test of design and effectiveness over internal controls.
- Develop and complete corrective actions for known deficiencies, including:

Retention of readily accessible historical payroll files.

Develop a matrix of entitlements, supporting documents, and point of documentation retention.

- Provide a report to Commands reflecting results of testing.
- Ensure legacy processes and systems are auditable to support the 2014 SBR in advance of IPPS-A full deployment.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	03/2013
Process Documentation	12/2012
Test Plans	03/2013
Conduct Control Testing	03/2013
Conduct Balance Testing	03/2013
Implement Corrective Actions	03/2014
Validate Corrective Actions	05/2014
Assertion	06/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Personnel information is recorded timely.	G-1	05/2014
Personnel information is valid and recorded accurately.	OASA(FM&C), G-1	05/2014
Payroll is calculated and processed accurately.	OASA(FM&C), DFAS	05/2014
Payroll obligations, expenses, accruals, and disbursements are recorded timely.	OASA(FM&C), DFAS	05/2014
Payroll obligations, expenses, accruals, and disbursements are valid and recorded accurately.	OASA(FM&C), DFAS	05/2014
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	OASA(FM&C), DFAS	05/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), PEO-EIS, DFAS, DLA	05/2014



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Financial Reporting

Strategy Summary

- Identify controls to mitigate all significant risks.
- Perform test of design and effectiveness over internal controls.
- Complete and execute CAPs for known deficiencies and weaknesses.
- Provide a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Implement Corrective Actions	12/2012
Validate Corrective Actions	03/2014
Assertion	06/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Trial balances (or equivalents) are produced timely.	OASA(FM&C), DFAS	03/2014
Trial balances (or equivalents) are valid and accurate.	OASA(FM&C), DFAS	03/2014
Trial balances (or equivalents) are loaded into DDRS-B timely.	OASA(FM&C), DFAS	03/2014
Trial balances (or equivalents) are complete and accurately loaded into DDRS-B.	OASA(FM&C), DFAS	03/2014
Trial balance data in DDRS-B is loaded into DDRS-AFS timely.	OASA(FM&C), DFAS	03/2014
Trial balances data is accurately loaded from DDRS-B into DDRS-AFS.	OASA(FM&C), DFAS	03/2014
Adjustments are recorded timely in DDRS-B and DDRS-AFS.	OASA(FM&C), DFAS	03/2014
Adjustments recorded in DDRS-B and DDRS-AFS are valid and accurate.	OASA(FM&C), DFAS	03/2014
SBR, related footnotes and accompanying information is completed timely.	OASA(FM&C), DFAS	03/2014
SBR, related footnotes and accompanying information is valid and accurate.	OASA(FM&C), DFAS	03/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), PEO-EIS, DFAS, DLA	03/2014



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Fund Balance with Treasury

Strategy Summary

- Identify controls to mitigate all significant risks.
- Complete and execute CAPs for known deficiencies and weaknesses to include implementation of an automated tool for reconciliation with Treasury.
- Perform test of effectiveness over internal controls.
- Provide a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	02/2013
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	02/2013
Implement Corrective Actions	03/2013
Validate Corrective Actions	05/2014
Assertion	06/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Disbursements and collections are reported timely.	OASA(FM&C), DFAS	05/2014
Disbursements and collections are valid and accurately reported.	OASA(FM&C), DFAS	05/2014
Treasury accounts related to the Component are reconciled monthly within required timeline.	OASA(FM&C), DFAS	05/2014
Treasury reconciliations, including general ledger and disbursing system data, are accurate.	OASA(FM&C), DFAS	05/2014
Reconciling differences and budget clearing account items are identified at the transaction level.	OASA(FM&C), DFAS	05/2014
Reconciling and budget clearing account items are valid, appropriately resolved, and the correct amount.	OASA(FM&C), DFAS	05/2014
Material systems achieve the relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), PEO-EIS, DFAS, DLA	05/2014



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Military Equipment and General Equipment

The audit readiness approach for military equipment and general equipment follows the SBR approach. Teams perform internal control and substantive testing (e.g., transaction completion testing, transaction authority testing, physical inventory re-performance, reverse testing of asset records) at Army installations to identify control deficiencies and data errors that need to be addressed prior to audit.

As part of the installation-level work, the Army prepared process narratives, flowcharts, and control assessments for asset life cycle processes and executes control testing for military equipment and general equipment control activities found to be appropriately designed. The Army assists business process owners with implementing corrective actions to address deficiencies. In addition, internal review offices monitor the implementation of corrective actions to ensure sustainment of an auditable environment after the initial audit readiness contact.

The Army asserted audit readiness of “Quick Wins” military equipment and general equipment in March 2011. These assets were designated as “Quick Wins” because they could be quickly validated as audit ready. The specific military equipment assets identified for initial existence and completeness “Quick Wins” work included:

- Apache AH-64A
- Apache Longbow AH-64D
- Aircraft Utility UC-35A
- CH-47F Improved Cargo Helicopter
- OH-58D Aerial Scout Helicopter
- Black Hawk Utility Helicopter UH-60L
- Black Hawk Utility Helicopter UH-60M
- UH-72A Light Utility Helicopter

In FY 2012, the Army Audit Agency conducted a limited scope review of the Army’s assertion, specifically for the UC-35A aircraft, and confirmed that the Army’s assertion was sound. The Army will assert the existence and completeness of all military equipment and general equipment assets by December 31, 2013. This interim milestone assertion is an important incremental step toward preparing auditable financial statements by September 30, 2017.

Real Property

The Army initiated and completed real property audit readiness site visits in preparation for the upcoming real property “Quick Wins” assertion in December 2012. The real property “Quick Wins” assertion focuses on 23 installations that self-reported substantial progress in obtaining key supporting documentation for real property assets, excluding land. After the “Quick Wins” assertion, the Army’s real property efforts will expand to all installations in 2013 and culminate in an audit readiness assertion for all real property assets by September 30, 2014.

Operating Materials and Supplies

The initial OM&S approach focused on Class V (ammunition), the largest OM&S class. The Army identified three “Quick Wins” missile programs, including the Hellfire, Javelin, and Tube-launched, Optically-tracked, Wire-guided (TOW) missiles, to establish existence and completeness auditability. The OM&S approach followed the DoD FIAR Guidance and included creating process flowcharts, narratives, and conducting assessments of the internal control activities within the munitions life cycle business processes.

Upon completion of the “Quick Wins” effort, the Army broadened its OM&S audit readiness efforts to all Class V assets by leveraging the results obtained in the “Quick Wins” effort and addressing the key life cycle business processes, including:

- Production
- Maintenance or Renovation



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- Receive Shipment
- Surveillance/Ammunition Stockpile Reliability Program Testing
- Physical Inventory
- Issue/Turn-in
- Prepare Shipment
- Disposal/Demilitarization
- Account Management

Currently, the Army is completing testing and corrective action activities at depots, arsenals, test centers, ammunition supply points, and production facilities that manage OM&S in order to confirm audit readiness. The Army is evaluating the overall internal control environment at corresponding OM&S locations and looking for control gaps that require remediation prior to asserting all OM&S classes by December 31, 2013. In addition, the Army is evaluating internal controls for entity level processes that impact the accountability and visibility of OM&S and the existence and completeness assertions.

Inventory

The OASA(FM&C) initiated Discovery by conducting baseline assessment site visits at 11 Supply Management Activity (SMA) and Industrial Operations (IO) sites to observe inventory-related

activities. The OASA(FM&C) performed walkthroughs of inventory business processes during these site visits and prepared process flows and narratives for the receipt, storage, issue, excess/disposal, and cycle count sub processes.

A baseline assessment takeaway revealed two categories of inventory, SMA and IO, with a material amount of Army SMA inventory managed by the Defense Logistics Agency (DLA). The DLA serves as a service provider for the Army by managing this material amount of Army SMA inventory assets using the Distribution Standard System (DSS) and Defense Automatic Addressing System (DAAS). The DSS and DAAS interface with the Army's ERP system, Logistics Modernization Program (LMP). As a service provider for the Army, DLA is responsible for audit readiness of segments of the inventory end-to-end business and support processes.

Inventory will be split into two assessable units, SMA Inventory and IO Inventory. The Army is working with DLA to develop comprehensive FIPs to eliminate existence and completeness audit impediments for both types of inventory. The May 2013 FIAR Plan Status Report will include additional information on Inventory, as well as status and plan charts with milestones identifying when existence and completeness audit readiness will be achieved.



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Military Equipment

Strategy Summary

- Complete and execute corrective action plans for deficiencies and weaknesses across major command organizations maintaining accountability of assets, including FORSCOM, AMC, IMCOM, ARNG, USARC, TRADOC, and others.
- Conduct internal control retesting and training for Army units and organizations.
- Transition financial reporting of military equipment and general equipment from legacy data sets to the Army accountable property system of record.
- Facilitate data conversion and interface development between Army information systems, Property Book Unit Supply-Enhanced (PBUSE) and GFEBS.
- Provide a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Implement Corrective Actions	06/2013
Validate Corrective Actions	09/2013
Assertion	12/2013

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Property Book Holders	09/2013
Acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Property Book Holders	09/2013
Disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Property Book Holders	09/2013
Disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Property Book Holders	09/2013
Changes to military equipment (condition, location) are recorded in the ASPR timely.	Property Book Holders	09/2013
Changes to military equipment (condition, location) are recorded accurately in the ASPR.	Property Book Holders	09/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), Army G-4, PEO EIS, DLA, DFAS	09/2013



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General Equipment

Strategy Summary

- Complete and execute corrective action plans for known deficiencies and weaknesses across major command organizations maintaining accountability of assets, to include FORSCOM, AMC, IMCOM, ARNG, USARC, TRADOC, and others.
- Conduct internal control retesting and training for Army units and organizations.
- Transition financial reporting of military equipment and general equipment from legacy data sets to the Army APSR.
- Facilitate data conversion and interface development between Army information systems, PBUSE and GFEBS.
- Provide a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Implement Corrective Actions	06/2013
Validate Corrective Actions	09/2013
Assertion	12/2013

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Property Book Holders	09/2013
Acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Property Book Holders	09/2013
Disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely	Property Book Holders	09/2013
Disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Property Book Holders	09/2013
Changes to general equipment (condition, location) are recorded in the ASPR timely.	Property Book Holders	09/2013
Changes to general equipment (condition, location) are recorded accurately in the ASPR.	Property Book Holders	09/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), Army G-4, PEO EIS, DLA, DFAS	09/2013



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Real Property

Strategy Summary

- Complete audit readiness discovery activities for “Quick Wins” installations.
- Execute corrective actions for known deficiencies and weaknesses across major command organizations maintaining accountability of assets.
- Conduct internal control re-testing and training for Army units and organizations.
- Distribute lessons learned and corrective actions to Army real property stakeholders.
- Provide a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Quick Wins Completion	As Planned
Discovery	✓	03/2013
Process Documentation	✓	✓
Test Plans	✓	✓
Conduct Control Testing	✓	03/2013
Implement Corrective Actions	✓	03/2014
Validate Corrective Actions	11/2012	06/2014
Assertion	12/2012	09/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	Quick Wins	As Planned
Acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	IMCOM, AMC, ARNG, USARC	11/2012	06/2014
Acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	IMCOM, AMC, ARNG, USARC	11/2012	06/2014
Disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	IMCOM, AMC, ARNG, USARC	11/2012	06/2014
Disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	IMCOM, AMC, ARNG, USARC	11/2012	06/2014
Changes to real property (condition, location) are recorded in the APSR timely.	IMCOM, AMC, ARNG, USARC	11/2012	06/2014
Changes to real property (condition, location) are recorded accurately in the ASPR.	IMCOM, AMC, ARNG, USARC	11/2012	06/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	OASA(FM&C), OACSIM, DFAS, DLA	11/2012	06/2014



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Operating Materials & Supplies

Strategy Summary

- Provide internal control training to Army control owners.
- Complete and execute CAPs for known deficiencies and weaknesses for the remainder of OM&S.
- Identify mitigating controls and/or substantive procedures to support assertion in absence of CAPs.
- Perform test of effectiveness over internal controls subsequent to training.
- Issue a report to Commands reflecting results of testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Quick Wins Completion	As Planned
Discovery	✓	✓
Process Documentation	✓	✓
Test Plans	✓	✓
Conduct Control Testing	✓	✓
Implement Corrective Actions	✓	06/2013
Validate Corrective Actions	✓	09/2013
Assertion	✓	12/2013

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	Quick Wins	As Planned
Acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AMC	✓	09/2013
Acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AMC	✓	09/2013
Disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AMC	✓	09/2013
Disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AMC	✓	09/2013
Changes to OM&S (condition, location) are recorded in the APSR timely.	AMC	✓	09/2013
Changes to OM&S (condition, location) are recorded accurately in the ASPR.	AMC	✓	09/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	OASA(MS&C), AMC, PEO EIS, DFAS, DLA	N/A	09/2013



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AUDIT READINESS RESOURCES

Army senior leaders are applying the right level of resources to achieve the FIAR goals and priorities even in this time of significant budget constraints. Balancing competing funding requirements with FIAR resource requirements needed to maintain momentum, progress, and achieve the auditability dates required by law is challenging.

The FIAR activities funded by the amounts in Figure III-4 include conducting audit readiness activities, hiring IPA firms to conduct validations and audits, and resolving financial system issues (i.e., achieving an audit ready systems environment).

Audit Readiness encompasses the resources for evaluation, discovery, and corrective actions of the Components and their service providers (e.g., DFAS) and includes documenting and modifying processes and controls, identifying internal control deficiencies through testing and remediation of deficiencies, and evaluating transaction-level evidential matter and ensuring it is

readily available. Resources are also necessary for activities to test or verify audit readiness after completing corrective actions and preparation of management assertion packages.

Validations and Audits include the resources for validations, examinations, and financial statement audits conducted by IPAs.

Financial Systems includes the resources for designing and achieving an audit-ready systems environment, but does not include ERP deployment costs. It also includes the resources to make needed and cost-effective changes to legacy systems that will be part of the audit ready systems environment. Financial system resources include design, development, deployment, interfaces, data conversion and cleansing, independent verification and validation and testing, implementation of controls and control testing, and system and process documentation. Cost information for ERPs is provided in Section VIII.

Figure III-4. Army Audit Readiness Resources (\$ in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Audit Readiness	\$ 58	\$ 85	\$ 79	\$ 53	\$ 69	\$ 44	\$ 45
<i>Process Review and Remediation</i>	51	72	65	39	54	29	30
<i>DFAS Audit Readiness Support</i>	5	11	11	11	12	12	12
<i>Internal Audit Cost</i>	2	2	3	3	3	3	3
Validations and Audits	\$ 2	\$ 23	\$ 25	\$ 25	\$ 15	\$ 25	\$ 25
Financial Systems	\$ 4	\$ 2	\$ 4	\$ 0	\$ 5	\$ 0	\$ 0
Total Resources	\$ 64	\$ 10	\$ 108	\$ 78	\$ 89	\$ 69	\$ 70



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Message from the Department of the Navy Chief Management Officer

The Department of the Navy (DON) acknowledges the benefits of achieving financial statement audit readiness. It has established an aggressive schedule to meet its audit readiness milestones as established in the Department of Defense (DoD) Financial Improvement and Audit Readiness (FIAR) plan. The DON has demonstrated significant progress against these milestones, which are geared towards meeting Secretary Panetta's accelerated goal of achieving audit readiness of the General Fund Statement of Budgetary Resources (SBR) by the end of 2014, and on all financial statements by September 30, 2017.



Advancing audit readiness through improved DoD processes and policies and in the way the Navy does business demonstrate our Enterprise-level commitment to achieving Secretary Panetta's goal, as does the strong support of DON senior leadership and the hard work by our dedicated workforce. However, while we are making great progress, much more needs to be done. For example, we have implemented a business process standardization model to proactively address the challenges that remain in the area of Information Technology (IT). We are working to improve coordination with our shared service providers on their audit readiness timelines in support of the DON. We have begun assessments of significant financial and non-financial feeder systems to identify control weaknesses and implement the necessary changes and controls to ensure data accuracy and reliability for auditability. Finally, to meet our 2014 goal, we must rely on the support of service providers, including the Defense Finance and Accounting Service, the Defense Logistics Agency, the Defense Contract Management Agency, and the Defense Contract Audit Agency to achieve audit readiness. We have made significant efforts to increase our coordination with these important business partners and I am confident that these enhancements will have a positive effect across all of DON's assessable units and improve business processes DoD-wide.

As a result of all these efforts, the Department is well positioned to achieve audit readiness of the Statement of Budgetary Resources by the end of 2014, as required by the Secretary of Defense and the Congress. We will accomplish this task without an unaffordable or unsustainable level of one-time fixes and manual work-arounds and without delaying full auditability of the Navy's financial statements by September 30, 2017.

A handwritten signature in black ink, appearing to read "Rob Work".

Robert O. Work
Under Secretary
Department of the Navy

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IV. DON Audit Readiness Plans

The Department of the Navy (DON) is focused on achieving improvements in the FIAR priority areas:

- Budgetary Information
- Mission Critical Asset Information

The DON continues to make significant progress toward Statement of Budgetary Resources (SBR) auditability and received unqualified opinions on the Funds Receipt and Distribution process, on the asset management processes for ships, submarines, satellites, ballistic missiles, and aircraft (approximately 90.9 percent of DON military equipment assets), and on the E-2D Advanced Hawkeye Major Defense Acquisition Program (MDAP) process (executed through Navy ERP). On June 30, 2012, the DON asserted the Civilian Pay and Transportation of People business processes as audit ready and an examination by an Independent Public Accounting (IPA) firm is underway.

As shown in Figure IV-1, the DON plans to assert audit readiness of the SBR in Quarter 4 of FY 2013. The remainder of DON mission critical assets will be audit ready, incrementally, through FY 2015.

To achieve milestones and continue to make progress on audit readiness goals, the DON has identified challenges and lessons learned that impact the approach and improve processes while mitigating potential risks. Because financial audit readiness depends on the actions of stakeholders who play a critical role in Navy-Marine Corps business processes and systems, enlisting stakeholders' full and consistent participation is a key factor in the DON plan for achieving auditability.

Coordinating at all levels—from the Executive to the Field-level, and working in close collaboration with shared service providers, the DON developed and implemented detailed plans that align with and

support the DoD audit readiness strategy. Complementing the detailed plans, the DON is executing a governance process through a recurring Audit Committee framework. The Audit Committee is chaired by the Assistant Secretary of the Navy (Financial Management and Comptroller) and includes key stakeholders from within the DON, OUSD(C), Naval Audit Service, and DoD Inspector General, as well as leadership from other DoD Components. Additionally, the DON conducts recurring roundtable meetings with all DON Budget Submitting Office (BSO) Comptrollers and its service providers to align strategies and resolve issues.





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The DON also recognizes that audit readiness is not just a financial management objective. Accordingly, DON leadership formally established audit readiness Segment Functional Leads in the areas of Military Pay, Civilian Pay, Travel, Requisitioning, Contracts, and Real Property. The DON then established Government Segment Program Managers within the Office of the Deputy Assistant Secretary of the Navy Financial Operations to work with DON Commands in the execution of segment assertion strategies and key audit readiness workstreams. Structured and coordinated collaboration between the financial management community and the Segment Functional Leads will enable the DON to utilize its business process and Information Technology (IT) system subject matter expertise to the benefit of audit readiness.

The DON continues to approach audit readiness as an “all hands on deck” effort and appreciates that success will not be realized through “business as usual.” The DON has made substantial progress in coordinating and aligning stakeholders, and in defining priorities, activities, and the schedule required to meet its goals. Through targeted communications, conferences, town hall meetings, and audit readiness training, the DON expanded the circle of accountability for audit readiness to include field commanders and key stakeholders from across the commands and echelons constituting the DON enterprise. The DON also included a financial improvement and audit readiness objective in Senior Executive Service plans.

As the DON executes against its audit readiness strategy and internal controls are improved, the DON will not only continue to advance its audit readiness but will also enhance its ability to sustain an audit ready business and financial environment following assertion. The DON believes that improving its business processes is the only way to achieve and sustain audit readiness and the best way to understand and mitigate the risk of fraud, waste, and abuse, while improving stewardship of taxpayer funds. In support of this strategy, the DON repeatedly tests internal controls across major business processes to

assess effectiveness, identify opportunities for improvement, and enhance financial auditability.

The DON has demonstrated substantial progress, but significant challenges remain. An example of these challenges is in the area of financially significant IT systems that were not designed to account for resources in a way compatible with the requirements of auditable financial statements. Faced with this challenge, the DON is assessing key IT systems to identify control weaknesses and implement the necessary changes and controls to ensure data accuracy and reliability for auditability.

To emphasize the criticality of engagement across the IT community, DON leadership, including the ASN FM&C, ASN RD&A, DON CIO, and the DUSN DCMO, issued a joint CIO letter to define the specific requirements, roles, and responsibilities to assess the IT systems that enable and sustain audit readiness. The letter also addressed the audit readiness activities and initiatives in place that complement and further audit readiness, and that are designed to reduce the number of application and systems, (currently over 190) that do not meet the DON business, IT, and financial process standards. Recognizing the importance of support from both senior leadership and functional subject matter experts, the DON is addressing its IT systems challenges with the same philosophy and strategy of its other audit readiness efforts, as an enterprise-wide responsibility and lasting change to the way the DON does business.

Lessons learned through the execution of the DON audit readiness approach also indicate that some business processes designed and used to meet the needs of the entire DoD do not comply with financial statement audit standards and requirements. For example, through initial testing of key business processes, the DON has identified a systemic issue regarding the lack of a disciplined receipt and acceptance process prior to the payment for the goods and services. The DON worked with the OUSD(C) to ensure that governing policies are updated and lead to the implementation of consistent and repeatable processes that are both compatible with a



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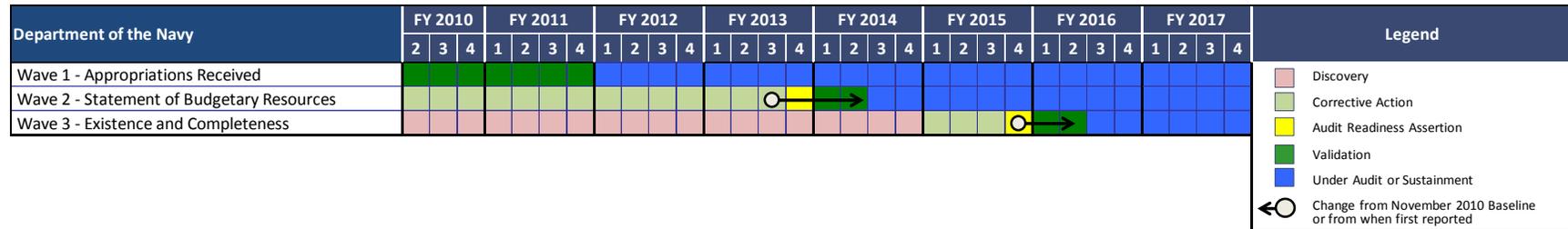
financial statement auditor's expectations and executable and sustainable across DoD.

In addition to addressing key challenges, the DON also believes it is critical to ensure that audit readiness gains are sustained. Accordingly, the DON has established an audit response infrastructure that will enable it to house, retrieve, and evaluate the large volumes of documentation required to support an audit. This framework will serve as a centralized audit management tool,

designed to support assertion preparation, audit engagements, and sustainment activities. This tool is being developed as a result of valuable lessons learned from the Marine Corps SBR audit.

Figure IV-1 provides the DON audit readiness plans for Wave 1, Appropriations Received; Wave 2, SBR; and Wave 3, Existence and Completeness of Mission Critical Assets. Further detail and assessable unit milestones for the SBR and mission critical asset assertions are provided in Figures IV-2 and IV-3, respectively.

Figure IV-1. DON Audit Readiness Plans by Wave





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STATEMENT OF BUDGETARY RESOURCES (WAVE 1 & WAVE 2)

The DON continues to demonstrate progress in the execution of its SBR audit readiness strategy, as evidenced by the assertion of the Civilian Pay and Transportation of People assessable units. In addition, the DON received an unqualified opinion on an IPA examination of the E-2D Advanced Hawkeye MDAP. These achievements enabled the DON to identify lessons learned that benefit audit readiness, assertion, and examination activities for the remaining SBR assessable units, including activities such as conducting iterative, interim reviews, utilizing existing templates, establishing a work product inventory, managing version control, and training the Commands.

To ensure all material SBR business processes are assessed and demonstrated as audit ready, separate assessable units (workstreams) have been established. These workstreams were isolated based on the specific nature of their scope, required long-term corrective actions (identified through initial testing), and external factors (i.e., service provider timelines). Additionally, the DON continues to focus on making forward progress to full SBR assertion by opting not to delay individual assessable unit assertions when a separate workstream can be isolated and addressed with a different timeline, but still complement the DON overall SBR auditability milestone.

While the OUSD(C) established assessable units represent the primary components of the SBR assertion, the additional DON workstreams represent subcomponents that will enable a comprehensive SBR assertion in September 2013. These discrete workstreams include:

- **Funds Receipt and Distribution (FRD)**, which was separated from Appropriations Received and is being addressed as a workstream under Fund Balance with Treasury.

- **Military Permanent Change of Station (PCS)**, which was decoupled from Transportation of People.

Integral to audit readiness progress is the collaboration between the DON, its service providers, and the functional community. This collaboration enabled the DON to address audit readiness requirements comprehensively and with a fully informed understanding of the business processes, IT systems, and compliance requirements essential to substantiate a management assertion of audit readiness. Additionally, the DON implementation of a detailed integrated Plan of Action and Milestones (PoAM) incorporates the activities and requirements of all stakeholders (e.g., Command-level audit readiness stakeholders, the functional community, service providers), aligning the efforts of many through one shared plan. The PoAM acts as FMO “compass” ensuring the DON is on-track and focused on meeting key FIAR methodology activities and critical success factors. The implementation of the PoAM to facilitate coordination with stakeholders, assignment of accountability, and alignment with FIAR and DoD will continue as an established best practice in the DON.

Additional audit readiness best practices include:

- Senior Leadership Engagement: DON senior leadership actively increased emphasis on audit readiness activities and requires active engagement from audit readiness stakeholders across the enterprise. For example, the Vice Chief of Naval Operations issued a memorandum, which set the “tone from the top” as a call to action for audit readiness action across the Commands.
- Functional Community Commitment: Engagement from the functional community was enhanced through the establishment of Segment Functional Leads with expertise in specific business segments and an ability to engage the functional community in audit readiness activities.



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- **Business Process Standardization:** Standardized business processes drive consistency in key control activities executed across the DON, enabling reduction in required testing samples without compromising quality during control and substantive testing.
- **Shared Service Provider Partnership:** The teaming and close cooperation between the DON, Defense Finance and Accounting Service (DFAS), Defense Logistics Agency (DLA), Defense Contract Management Agency (DCMA), and Defense Contract Audit Agency (DCAA) to conduct testing of processes and controls, assess significant IT systems and to perform financial reconciliations is critical to demonstrate auditability for several major business processes.
- **Field-Level Engagement:** Communication across the DON to include field-level audit readiness stakeholders has expanded the dissemination of audit readiness priorities, plans, responsibilities, and expectations. Focused audit readiness workshops, monthly audit readiness newsletters, and weekly scheduled office hours have improved transparency, accountability, and coordination.
- **Learning from the Experience of Others:** Applying lessons learned from completed examinations, including those conducted within the DON (i.e., USMC and E-2D Advanced Hawkeye MDAP) and those conducted by the other Military Departments, enables the DON to proactively address issues first identified by others.

Appropriations Received (Wave 1)

The DON participated in an IPA examination of its Appropriations Received line on the SBR in FY 2011. The IPA concluded that the DON fairly presented its Appropriations Received line while noting weaknesses in the DON internal control environment. The DON implemented some improvements to address the internal control weaknesses, including development of procedural documentation for

the Program Budget Information System (PBIS), systemic controls within PBIS, and reconciliations.

The DON is addressing items not included in the scope of the Appropriations Received assertion through a separate workstream focused on the Funds Receipt and Distribution (FRD) subprocess. The FRD workstream will assess the audit readiness of funds appropriated, transferred, and rescinded, as well as distribution to the Commands and lower echelon activities along with recordation in DON general ledger systems. Audit readiness for the FRD workstream is planned for March 2013.

Statement of Budgetary Resources (Wave 2)

The execution of the DON SBR strategy continues to focus on four tenets:

1. Establish a strengthened array of standard internal controls over DON business processes.
2. Standardize business processes using best-of-breed procedures in legacy environments and identical procedures among Navy ERP system users. Standardization will lead to reduced cost in financial management overhead, stronger internal controls, and improved audit readiness.
3. Establish repeatable capabilities that support a controlled financial environment including Fund Balance with Treasury reconciliation and end-to-end traceability of transactions, demonstrated by supported balances and unadjusted-to-adjusted trial balance reconciliations.
4. Establish an audit support infrastructure, emphasizing top-level knowledge and control of DON financial data, as well as the ability to respond efficiently and effectively to auditor requests for information.

As these tenets provide the foundation of the DON SBR strategy, the PoAM guides the DON on its path to assertion. Since development



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of the PoAM in early FY 2012, the DON has made significant progress within each of the integrated plan's components, which include:

- Establishing the transaction universe and reconciling unadjusted-to-adjusted trial balances
- Documenting and evaluating business processes
- Performing internal control and source document testing
- Developing and implementing Corrective Action Plans
- Establishing an audit response infrastructure and conducting examinations
- Transitioning to sustainment/Internal Control Over Financial Reporting (ICOFR) activities, following the assertion of assessable units

Establishing the Transaction Universe and Reconciling Unadjusted-to-Adjusted Trial Balances

The DON continues to execute against its plan demonstrating progress in trial balance and sub-ledger reconciliations, completing general ledger posting logic, analysis within major financial systems, and establishing the transaction universe. The progress made during the transaction universe reconciliation and posting logic validation efforts has enabled the DON to identify and produce accurate sample transactions for substantive and control testing procedures for each of its assessable units, a key audit readiness capability.

Specific accomplishments and progress includes:

Trial Balance Reconciliations. The DON has made significant progress in reconciling its general ledger transaction level detail to its Unadjusted Trial Balances for all DON accounting systems (STARS-FL, STARS-HCM, Navy ERP, and NSMA). These reconciliations were developed and documented so that the Navy can execute them on an automated and recurring basis, benefitting

sustainment and building efficiency for future assertions and audit readiness activities.

Posting Logic Analysis. The DON has initiated a detailed assessment of its posting logic to validate that the general ledger accounting system posting logic complies with Treasury Financial Manual (TFM) guidance. For the STARS legacy systems alone, this effort involves analysis of over 118,000 discrete accounting events, and the DON has developed an automated methodology to conduct the analysis across DON accounting systems. For Navy ERP, validation of the accounting system posting logic and TFM compliance is underway to support assessable unit assertions.

Transaction Universe Identification. The DON has demonstrated the ability to capture the data transaction universe from general ledgers and other systems, which enables the DON to perform the reconciliations, population sampling, and posting logic analysis required to identify valid and representative populations to conduct the segment-level testing necessary to advance audit readiness progress.

Financial Statement Validation. The DON has initiated analyses of journal vouchers and other adjustments made prior to the compilation of financial statements. The validation of the Unadjusted Trial Balance to Adjusted Trial Balance reconciliation procedure will be a key element during the Financial Statement Compilation and Reporting assertion.

Documenting and Evaluating Business Processes

An integral part of DON business process identification, documentation, and evaluation is the Business Process Standardization (BPS) Initiative. For each of the assessable units, the DON uses BPS to examine the end-to-end business processes, generate enterprise-wide standard process flows, and develop the process narratives and descriptions for the segment, reducing process variation across the DON. Increased standardization across key



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control activities also enables the DON to reduce the number of samples required to adequately assess each business process.

An example of where the DON is using its BPS and audit readiness efforts to drive standardization is through the implementation of the Tri-Annual Review, as an enterprise-wide internal control. Implementation of this control, in a standard manner, ensures that each Command conducts a thorough review of outstanding, unliquidated obligations. This standardized business practice will help the DON improve its financial stewardship by ensuring that existing obligations are still valid and allowing Commands to release funds for other open requirements, a benefit to audit readiness as well as an operational efficiency for the enterprise.

Expanding the BPS focus, the DON is also assessing the business process surrounding the IT systems that manage the DON financial records. The DON has compiled an inventory of over 170 financial systems and determined that approximately 61 affect the General Fund SBR. Approximately half of these are third-party owned (outside of DON), and the DON has developed a methodology for assessing Federal Information System Controls Audit Manual (FISCAM) controls for key IT systems.

Through the continuous evaluation of the underlying business processes supporting the DON SBR assertion, the Navy is taking measures to ensure the entire scope of the SBR is audit ready. This includes initiating several workstreams not originally defined by the OUSD(C) or built into the original DON Financial Improvement Plans (FIPs). By analyzing business processes for the Transportation of People segment during the Discovery Phase, the DON identified Military Permanent Change of Station (PCS) as a material sub-process and determined that it must be demonstrated as audit ready to support the DON SBR assertion. Due to variations in the process and IT systems between the Military PCS processes and those within the Transportation of People segment, asserted on June 30, 2012, the DON established a separate audit readiness workstream to assess Military PCS audit readiness.

Additionally, pursuing Military PCS will provide sufficient lead-time to address complex, long-term corrective actions and establish a more comprehensive control and substantive testing plan while delineating clear responsibility and functional leadership within BUPERS. This decision is further supported by lessons learned from previous Transportation of People and Military PCS Discovery and Corrective Action efforts. The scope of the Military PCS segment includes the financial processes for Military PCS moves, including the transportation of military personnel and dependents, household goods, and privately owned vehicles. This work stream will be audit ready as part of the overall SBR assertion.

Additionally, during the end-to-end process evaluation for Financial Statement Compilation and Reporting, the DON acknowledged the need to more completely identify and document transaction-level detail supporting Command-level adjustments in order to gain greater insight into the generation of the Trial Balance during the Command-Close (Month-End) process. As a component of its Financial Statement Compilation and Reporting audit readiness strategy, the DON is working with the Commands to enhance insight into transactional-level detail and improved tracking of the financial data in general ledger systems. The DON has initiated steps to address this workstream and is coordinating with the Commands to identify and document process steps and related key controls to support testing.

Performing Internal Control and Source Document Testing

To date, all DON assessable units have undergone at least one round of control and substantive testing. In addition to the internal control testing, statistical and non-statistical substantive procedures and other analyses are being employed to evaluate the accuracy of the financial transactions.

The DON has utilized an iterative approach for control and source document testing that proved essential to identifying deficiencies, analyzing gaps, and developing Corrective Action Plans for Civilian



Pay and Transportation of People, ultimately leading to their successful assertions. During the control testing phase, the DON collaborated closely with Commands and service providers while utilizing a two level testing review process. A first level review was conducted by the Command and service provider organizations' supervisors and managers to review supporting documentation and processes, identify passing and failing controls, and identify gaps and deficiencies. After the first level review, a second level review consisting of re-performance testing was conducted by IPAs to confirm results. Any variances between first and second level reviews were reconciled and results presented to the DON Office of Financial Operations for analysis and Corrective Action Plans development. This two part process provided the necessary checks and balances to ensure completeness and accuracy of testing for Civilian Pay and Transportation of People and will continue to be utilized as a best practice for the other assessable units.

Developing and Implementing Corrective Action Plans

As a result of the control assessments, the DON identified significant weaknesses requiring corrective actions, including:

- Inconsistent performance of receipt and acceptance controls
- Identification and resolution of unmatched disbursements
- Inconsistent methodology and recording of accruals
- Timeliness and completeness issues for PCS travel obligations
- Segregation of duties
- Inadequate monitoring of segregation of duties across IT systems
- Delegation of authority
- FBWT reconciliation procedures

While significant Corrective Action Plans will be required for many of the assessable units, which in some cases are tied to DoD-wide deficiencies, the DON is working closely with the OUSD(C), shared

service providers and other DoD Components to mitigate material deficiencies and establish key controls prior to the DON assertion of the SBR. The coordination between DON and the OUSD(C) to address a DoD-wide issue is exemplified by DON progress in developing a Corrective Action Plan to address the Receipt and Acceptance deficiency associated with intra-governmental transactions. With the development of a DON-specific Receipt and Acceptance Corrective Action Plan, the DON is coordinating directly with the OUSD(C) to ensure consistency with a potential long-term DoD-wide solution.

Establishing an Audit Response Infrastructure and Conducting Examinations

A key lesson learned from the USMC audit is the need for a robust and timely audit infrastructure to respond to auditor requests. Even if DON business processes and systems are ready for audit, the audit will not be successful unless DON Commands, DFAS, and other service providers are ready to respond promptly and sufficiently to audit demands. To this end, the DON has established the Audit Response Center as the central repository and key facilitator for conducting audit readiness and audit response activities. During the examinations and audits, an Audit Response Center tool provides the channel for the collection and dissemination of supporting documentation from FMO, the major DON Commands and service providers to the IPAs. The successful implementation of this tool was highlighted during the E-2D Advanced Hawkeye MDAP examination process.

Transition to Sustainment/ ICOFR Activities

As assessable units are asserted as audit ready, the DON will not lose sight of its audit readiness mission. A framework for the transition from assertion activities to sustainment and ICOFR activities was developed and consists of short-, medium-, and long-term phases, each comprising the specific events necessary to institutionalize and sustain an audit ready environment.



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Civilian Pay and Transportation of People have completed initial sustainment activities to include pre-examination testing. The goals of the pre-examination testing were:

- Continue to reinforce the importance of key control activities, an aspect of our normal business processes.
- Provide opportunities for the FIAR managers to educate their lower echelons and functional community on audit readiness processes through sample testing prior to examinations.

As Civilian Pay and Transportation of People complete the examination process, results are analyzed, Corrective Action Plans identified, and the assessable units will move into post-examination testing and eventually a steady state of audit readiness. This model will be used for all other assessable units and helps ensure the SBR assertion is successful and that the DON institutionalizes audit readiness activities.

U.S. MARINE CORPS SBR AUDIT

Over the past three years, the USMC, in concert with the DON, has established a beachhead in audit readiness. The FY 2010 and FY 2011 audits of the USMC SBR represented a first among the Military Services and demonstrated the USMC's continued commitment to improved financial information and accountability. Although the FY 2011 audit resulted in a disclaimer of opinion, significant milestones in process and system improvements allowed the emphasis of the audit to shift beyond beginning balance evaluation to include all current year (FY 2011) accounting activity, as well as increased testing of the USMC payroll balances. As a result of the USMC experience, the DON audit readiness strategy has expanded and been refined. These lessons from that audit apply today, as the USMC continues pushing the boundaries of audit readiness by initiating a change in the audit scope that, when successful, will provide yet another platform from which to

demonstrate the accuracy and reliability of DON processes and financial information.

The USMC is piloting a financial audit that reduces the scope of past efforts to focus audit resources on verifying only current fiscal year appropriations and expenditures. While the USMC remains steadfast in its goal to succeed at a full SBR audit, the new strategy to focus on current year appropriations is consistent with the recent changes to the DoD FIAR Methodology. This reduced scope is intended to demonstrate a sustainable path toward audit readiness for those Military Services and other Defense organizations that lack the maturity for a full-scope financial statement audit. To this end, the USMC created a Schedule of Current Year Budgetary Activities for FY 2012 that has been initially validated for accuracy by the auditors. The audit is expected to conclude within the January – February 2013 timeframe. While the focus remains on a successful audit outcome for the Schedule, the USMC continues to strengthen its processes and internal controls based on previous audit findings.

Previous audit efforts uncovered areas in which not only the USMC, but also all of DoD, will need to focus improvements. One such area is the ability to demonstrate receipt and acceptance of goods and services secured from government sources. The USMC auditors found that the Intra-governmental Payment and Collection (IPAC) system allows for payment between government agencies without confirmation of receipt and acceptance, creating a risk that the associated expenses and disbursements recorded in the accounting system lack appropriate management controls. In response to this finding, the USMC initiated a review of FY 2012 IPAC activity, engaging organizations across and outside of the USMC in support of audit efforts. This review will ensure that an adequate audit trail exists to support the receipt and acceptance of goods and services paid for through the IPAC system prior to auditor testing. Similar initiatives have been undertaken for other audit focus areas, including bulk obligations and contract financing payments, as stipulated in certain contracts. These initiatives will allow the USMC



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to identify and correct areas of concern prior to audit testing and strengthen auditor confidence in USMC controls and processes.

Additionally, the audit has resulted in a series of accounting and accountability improvements and is spurring progress beyond the budgetary spotlight. The USMC is fully engaged in preparing for full financial statement audit of its Balance Sheet. Audit readiness activities are underway for Military Equipment, General Equipment, Real Property, Operating Materials and Supplies, and Environmental Liabilities. As the USMC moves beyond SBR audit readiness activities toward the Balance Sheet, continued success will require engagement with organizations less impacted by the ongoing audit. In preparation for increased involvement, the USMC is increasing its communications with the field to ensure continued visibility of audit readiness efforts and requirements.

Significant strides also have been made in the area of information technology. Throughout the FY 2012 audit, the USMC continued to strengthen the overall effectiveness of its control environment, thus supporting the accurate, complete, and valid reporting of USMC financial data. In conjunction with its contracted IPA, the DoD OIG concluded that 35 of 62 IT audit findings have been remediated or closed. Furthermore, the USMC developed a comprehensive risk assessment directed specifically toward IT audit findings. In building the risk assessment, the USMC considered and used methodologies from both the National Institute of Standards and Technology Risk Management Framework and the Government Accountability Office. As a result of this work, USMC is able to prioritize the findings and structure the remediation efforts by allocating resources appropriately based on the risk rating.

The USMC is confident that it is well positioned for audit success and will continue to share lessons learned, as well as serve as the DON beacon for improved systems, processes, and internal controls.

SBR ASSESSABLE UNITS

Figure IV-2 provides the DON audit readiness plans for the SBR by assessable unit. It also identifies the changes to milestones from the baseline established in the November 2010 FIAR Plan Status Report or from when first reported. The SBR assessable units are:

- Reimbursable Work Orders
- Civilian Pay
- Transportation of People
- Supply Requisition (MILSTRIP)
- Financial Statement Compilation and Reporting
- Contract/Vendor Pay
- Military Pay
- Net Outlays (Fund Balance with Treasury)
- E-2D Advanced Hawkeye Major Defense Acquisition Program

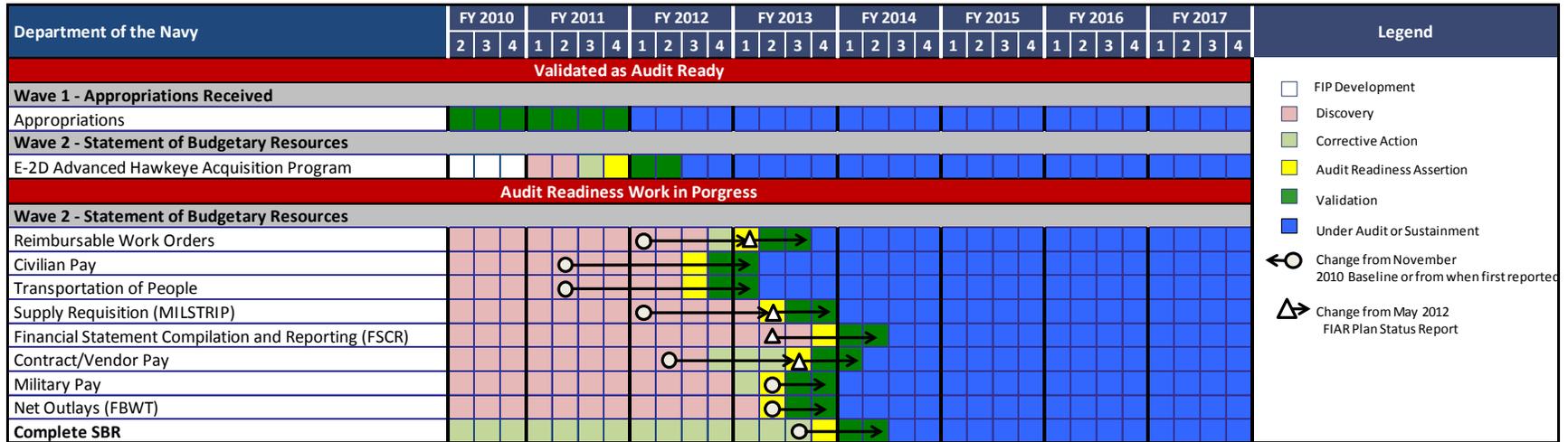
Following Figure IV-2 are charts that provide the progress, status, and plans for each assessable unit.



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Figure IV-2. DON SBR Audit Readiness Plans by Wave





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Reimbursable Work Orders (RWO)

Strategy Summary

- Coordinated with DFAS to document and test key controls for RWO billing, collection, and payment processes.
- Developed post-payment validation procedures, in coordination with OUSD(C), to consistently evidence receipt and acceptance for goods/services procured by the RWO process.
- Developed corrective actions providing assurance that agreements have been recorded completely to the GL.
- Validate the posting logic associated RWOs within the Navy ERP to validate testing populations.
- Analyze materiality of accounts receivable accrual for the RWO process to determine whether corrective action is required.
- Corrective actions were not completed as scheduled. Overall FIAR phase and assertion dates were not affected.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	✓	✓
Process Documentation	✓	✓
Test Plans	✓	✓
Conduct Control Testing	✓	✓
Conduct Balance Testing	✓	✓
Implement Corrective Actions	✓	✓
Validate Corrective Actions	06/2012	12/2012
Assertion	06/2012	12/2012

Note: The table on the following page provides an explanation for the change in assertion date.

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Obligations are recorded timely.	Commands	✓
Obligations are valid and recorded accurately.	Commands	✓
Accruals/payables are recorded timely	DFAS	✓
Accruals/payables are valid and recorded accurately.	DFAS	✓
IPAC disbursements/advances are recorded timely.	DFAS	✓
IPAC disbursements/advances are valid and recorded accurately.	DFAS	12/2012
Stale or invalid obligations and accruals are removed.	Commands, DFAS	✓
Material systems achieve relevant FISCAM IT general and application-level control objectives. (Legacy: STARS-FL, STARS-HCM, FMS-NSMA, IPAC ERP: Navy ERP)	DON FMO	Legacy:09/2013 ERP: 12/2012



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Explanation for the Changed Assertion Milestone

Reimbursable Work Orders	
Original Milestone Date	06/2012
Reason(s) Milestone Was Changed	Receipt and acceptance is not timely performed and recorded. Reimbursable agreements are not adequately monitored, reconciled, or documented. Authority delegation is not sufficiently supported.
Revised Milestone Date	12/2012
Actions to Ensure Milestone Will Be Met	The revised milestone will be met as part of DON's overall audit readiness strategy and approach to achieving an auditable SBR in FY 2014. Building on initial internal control testing results and required corrective actions, a Reimbursable Work Orders assertion strategy has been developed and defined within the Integrated PoAM.
Impact on Achieving Full Auditability by 2017	None



Civilian Pay

Strategy Summary

- A reconciliation between DCPS and general ledgers was performed in FY 2012. Discrepancies identified were quantified and documented along with the root cause and remediation plans.
- Tested transactions posted to the general ledgers for STARS-FL, STARS-HCM, Navy ERP, and NSMA. To validate completeness of the gross pay transaction universe from DCPS, a reconciliation between DCPS and the general ledger was performed.
- Implementation of accrual corrective actions (other than year-end) and system access are in process. Accruals prepared other than at year-end were determined to be not necessary for audit readiness. System access was mapped to separate FISCAM IT controls workstream with a planned completion date of 09/2013. Corrective actions evidencing budget authority was implemented. This attribute was tested as part of Round 2 control testing.
- DCPS and ADS SSAE 16 report provided to DON in 08/2012. DON review in process.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Implement Corrective Actions	✓
Validate Corrective Actions	✓
Assertion	✓

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Personnel data are recorded timely.	OCHR, Commands	✓
Personnel data are valid and recorded accurately.	OCHR, Commands	✓
Payroll is calculated and processed accurately.	Commands, DFAS	✓
Payroll obligations, expenses, accruals, and disbursements are recorded timely.	Commands, DFAS	✓
Payroll obligations, expenses, accruals, and disbursements amounts are valid and recorded correctly.	Commands, DFAS	✓
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	DFAS	✓
Material systems achieve relevant FISCAM IT general and application-level control objectives. (Legacy: DCPS, DCPDS, DONCADS, SUPDESK, SLDCADA, FMS-NSMA, STARS-FL, STARS-HCM ERP: Navy ERP)	DON FMO	Legacy: 09/2013 ERP: 12/2012



Transportation of People

Strategy Summary

- Coordinated Command corrective actions for completeness of vouchers, separation of duties, and implementation of annual approving official reviews to ensure they have a validated DD577 and cannot edit master data, and monthly unsubmitted voucher reports are reviewed and claims submitted and/or closed.
- Coordinated Command corrective actions for completeness and accuracy of approval authority designations and ensured a central delegation of authority letter for users with capability to approve DTS documents is provided and signed off by the commanding officer, comptroller, or equivalent official of each MAJCOM.
- Implemented controls and documentation testing to ensure travel authorization approval, voucher approval, DTS interface rejects, annual SOD master data review, unsubmitted voucher report review, per diem and mileage rate verification, DTS interface non-responses, self-approval rejection, and SOD conflict review.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Implement Corrective Actions	✓
Validate Corrective Actions	✓
Assertion	✓

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	Completion
Travel information is recorded timely.	Commands	✓
Travel information is valid and recorded accurately.	Commands	✓
Travel costs are calculated correctly and are processed accurately.	Commands	✓
Travel obligations, expenses, accruals, and disbursements are recorded timely.	Commands	✓
Travel obligations, expenses, accruals, and disbursements are valid and recorded correctly.	Commands	✓
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	Commands	✓
Material systems achieve relevant FISCAM IT general and application-level control objectives. (Legacy: DTS; NROWS; OASIS/EASIS; POEMS; FMS-NSMA; STARS-FL; STARS-HCM ERP: Navy ERP)	DON FMO	Legacy: 09/2013 ERP: 12/2012



Supply Requisition (MILSTRIP)

Strategy Summary

- Due to complexity of procedures to identify MILSTRIP population universe, assertion shifted from 09/2012 to 03/2013. Navy documented control environment before and after FES for DLA billing process, but is still reliant on FES data to post accounts payable transactions. Navy mitigating controls may be sufficient for 03/2013 assertion, but fuel process will be evaluated during an SBR audit regardless of roles and responsibilities between DLA and Navy.
- Refined segment scope to include only the BSOs (APPN & SBHD) representing 99 percent of material MILSTRIP transactions (PACFLT, USFF, BUPERS, NAVAIR, RESFOR, NAVSEA, NAVFAC).
- DLA is unable to assert the end-to-end fuels process in FES, but maintains ownership of internal controls for accuracy of fuel receipt reporting and system interfaces.
- Completed BSO training workshops and Round 1 Testing for each subprocess (material, subsistence, fuel, allowance and outfitting material). Working to draft and implement procedures to address corrective actions that require system or policy changes at the unit-level.
- Round 1 Testing does not include internal controls for Interfund bill processes at DFAS-CL.
- Conducted site visit to DFAS-CL to document MILSTRIP control activities for processing incoming supplier bills and to ensure Interfund bill controls discovery and documentation is completed and aligned to the Round 2 testing schedule.
- Enhanced alignment with BPS through published statement-to-process flows, testing procedures, and workshop engagement.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	03/2012	02/2013
Process Documentation	✓	✓
Test Plans	✓	✓
Conduct Control Testing	03/2012	02/2013
Conduct Balance Testing	03/2012	02/2013
Implement Corrective Actions	07/2012	12/2012
Validate Corrective Actions	08/2012	03/2013
Assertion	09/2012	03/2013

Note: The table on the following page provides an explanation for the change in assertion date.



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Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned	Revised
Obligations are recorded timely.	Commands	09/2012	03/2013
Obligations are valid and recorded accurately.	Commands	09/2012	03/2013
Receipt/payables are recorded timely.	Commands	09/2012	03/2013
Receipt/payables are valid and recorded accurately.	Commands	09/2012	03/2013
Disbursements are recorded timely.	Commands	09/2012	03/2013
Disbursements are valid and recorded accurately.	Commands	09/2012	03/2013
Stale or invalid obligations and accruals are removed.	Commands	09/2012	03/2013
Material systems achieve relevant FISCAM IT general and application-level control objectives. (Legacy: VISTA, MicroSNAP, NALCOMIS, RSUPPLY, SALTS, STORES, FMS-NSMA, STARS-FL, STARS-HCM ERP: Navy ERP)	DON FMO	Legacy: 09/2013 ERP: 12/2012	

Explanation for the Changed Assertion Milestone

Supply Requisition (MILSTRIP)	
Original Milestone Date	09/2012
Reason(s) Milestone Was Changed	Complexity in identifying the MILSTRIP transaction population. Changes required at the unit level for major business processes and policy. Lack of fuel bill validation SOPs.
Revised Milestone Date	03/2013
Actions to Ensure Milestone Will Be Met	The revised milestone will be met as part of DON's overall audit readiness strategy and approach to achieving an auditable SBR in FY 2014. Building on the actions of capturing the transaction population, completing the adjustments to the business process and policies, and establishing the validation SOPs, a MILSTRIP assertion strategy has been developed and defined within the Integrated PoAM.
Impact on Achieving Full Auditability by 2017	None



Financial Statement Compilation and Reporting (FSCR)

Strategy Summary

- FSCR assertion date deferred to enable assertion of the end-to-end FSCR process. Assertion will focus on all processes and controls for financial statement compilation and integrity of underlying data supporting these statements.
- Additional research must be conducted to identify the data attributes associated adjustments and extracting them from the population. Updated FSCR process flows and data dictionary will be aligned with key control points. Identified 31 Corrective Action Plans (CAPs) to date and completed documentation of CAPs. Identified key controls (31 per segment process flows and 17 FIAR recommended). Completed reconciliation of Unadjusted Trial Balance to Adjusted Trial Balance data.
- Complete identification, development, and implementation of CAPs during sustainment phase. Control and substantive testing for the FSCR segment is complex and has taken longer to complete than expected. Potential variations in the Commands' close and adjustment processes may impact the internal control identification and testing.
- Established Command close and adjustment process workstream to improve the underlying financial data resident in the GL systems. A PoAM to assess these areas will be developed to identify and document the process steps and related key controls.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	04/2012	04/2013
Process Documentation	01/2012	01/2013
Test Plans	01/2012	03/2013
Conduct Control Testing	03/2012	04/2013
Conduct Balance Testing	03/2012	04/2013
Implement Corrective Actions	08/2012	06/2013
Validate Corrective Actions	09/2012	06/2013
Assertion	09/2012	09/2013

Note: The table on the following page provides an explanation for the change in assertion date.



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Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned	Revised
Trial balance data is produced timely.	DFAS, Command	05/2012	09/2013
Trial balance data is valid and accurate.	DFAS, Command	06/2012	09/2013
Trial balance data is completely/accurately loaded into DDRS-B.	DFAS	05/2012	09/2013
Trial balance data is completely/accurately loaded from DDRS-B into DDRS-AFS.	DFAS	08/2012	09/2013
Adjustments recorded in DDRS-B and DDRS-AFS are recorded timely.	DFAS	07/2012	09/2013
Adjustments recorded in DDRS-B and DDRS-AFS are valid and accurate.	DFAS	08/2012	09/2013
SBR related footnotes and accompanying information is completed timely.	DFAS, FMO	07/2012	09/2013
SBR related footnotes and accompanying information is valid and accurate.	DFAS, FMO	08/2012	09/2013
Material systems achieve relevant FISCAM IT general and application-level control objectives.	DLA	08/2012	09/2013

Explanation for the Changed Assertion Milestone

Financial Statement Compilation and Reporting	
Original Milestone Date	09/2012
Reason(s) Milestone Was Changed	Additional research needed to identify the data attributes required to fully identify the transaction population and document the underlying rationale for the adjustments. Additional discovery required to identify and document key process steps and key controls related to the financial data within field level GL systems.
Revised Milestone Date	09/2013
Actions to Ensure Milestone Will Be Met	Assertion will focus on all processes and controls related to the compilation of the financial statements and integrity of underlying data supporting these statements.
Impact on Achieving Full Auditability by 2017	None



Contract/Vendor Pay (CVP)

Strategy Summary

- Capture and validate the transaction universe and materiality of CVP in accounting and entitlement systems. Delays in CAP implementation may delay Round 2 testing (scheduled 10/2012). Round 2 testing scope will be refined to include only mission critical CAPs and short-term mitigating controls, or testing start date adjusted to accommodate critical CAP completion.
- Collaborate with service providers to integrate processes and risks into control testing and/or account balance testing. Service provider timelines do not fully align with assertion date of 12/2012. DON will provide completed test plans for the systems in 12/2012. The assertion date of 06/2013 will include completed service provider test plans to validate controls are operating effectively.
- KCOs required for assertion have been identified and coordinated with service providers for inclusion in 12/2012 assertion. However, DCMA is unable to accelerate KCOs for the 12/2012 assertion.
- Leverage DFAS MOCAS SSAE-16 assertion documentation and DFAS entitlement process self-reviews for MOCAS and STARS OnePay.
- Incorporate key control activities and leverage recent program compliance reviews from Navy CCPMD on command Government Commercial Purchase Card transactions and integrate into the CVP assertion.
- Develop CAPs to address GAAP compliance for the timely recording of incurred liabilities and estimates of un-invoiced accrued liabilities at end of period.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	05/2012	12/2012
Process Documentation	✓	12/2012
Test Plans	✓	✓
Conduct Control Testing	05/2012	12/2012
Conduct Balance Testing	05/2012	12/2012
Implement Corrective Actions	08/2012	12/2012
Validate Corrective Actions	12/2012	05/2013
Assertion	12/2012	06/2013

Note: The table on the following page provides an explanation for the change in assertion date.



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Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned	Revised
Obligations are recorded timely.	Navy	12/2012	
Obligations are valid and recorded accurately.	Navy	12/2012	
Accruals and/or payables are recorded timely.	Navy, DFAS, DCMA	12/2012	06/2013
Accruals and/or payables are valid and recorded accurately.	Navy, DFAS, DCMA	12/2012	06/2013
Disbursements are recorded timely.	DFAS, DCMA	12/2012	06/2013
Disbursements are valid and recorded accurately.	DFAS, DCMA	12/2012	06/2013
Stale or invalid obligations and accruals are removed.	Navy, DFAS, DCMA	12/2012	06/2013
Material systems achieve relevant FISCAM IT general and application-level control objectives. (Legacy: MOCAS (APVM & PPVM), SPS, STARS One Pay, WAWF, FASTDATA, FMS-NSMA, STARS-FL, STARS-HCM ERP: Navy ERP)	Navy, DFAS, DCMA, DLA	Legacy: 09/2013 ERP: 12/2012	06/2013

Explanation for the Changed Assertion Milestone

Contract/Vendor Pay	
Original Milestone Date	12/2012
Reason(s) Milestone Was Changed	Service provider timelines for achieving audit readiness do not fully align with the DON assertion date of 12/2012.
Revised Milestone Date	06/2013
Actions to Ensure Milestone Will Be Met	The revised milestone will be met as part of DON's overall audit readiness strategy and approach for an auditable SBR in FY 2014. Navy is on target to deliver all work products to OUSD(C) by 12/2012, and the remaining work products will be delivered by 05/2013. Navy will continue to work with its service providers to validate their assertion timelines.
Impact on Achieving Full Auditability by 2017	None



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Military Pay

Strategy Summary

- Evaluate the audit readiness of key business processes.
- Complete process documentation with DFAS. Completed Round 1 of substantive testing.
- Completed Round 1 of controls testing. Completed limited system testing (application controls) for BOATS, NSIPS, RHS, and RIMS-FM. DFAS completed mock SSAE 16 testing for DJMS-AC and DMO.
- Completed and documented DJMS 1A to STARS-FL reconciliation for obligations and disbursements for Quarter 1 of FY 2012. Shared reconciliation with DFAS-CL, who will be working to automate and sustain the reconciliation.
- Incorporate lessons learned and key findings from GAO audit of Army Military Pay, specifically Personnel Pay Account Reconciliation, source documentation (Entitlements), and LES data into the DON approach for MILPAY assertion.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	✓	✓
Process Documentation	✓	✓
Test Plans	✓	✓
Conduct Control Testing	✓	✓
Conduct Balance Testing	✓	✓
Implement Corrective Actions	12/2012	11/2012
Validate Corrective Actions	02/2013	
Assertion	03/2013	

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Personnel data are recorded timely.	BUPERS, RESFOR, CNIC	02/2013
Personnel data are valid and recorded accurately.	BUPERS, RESFOR, CNIC	02/2013
Payroll is calculated and processed accurately.	DFAS	02/2013
Payroll obligations, expenses, accruals, and disbursements are recorded timely.	DFAS, BUPERS, RESFOR	02/2013
Payroll obligations, expenses, accruals, and disbursements amounts are valid and recorded correctly.	DFAS, BUPERS, RESFOR	02/2013
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	DFAS, BUPERS, RESFOR	02/2013
Material systems achieve relevant FISCAM IT general and application-level control objectives. (Legacy: NSIPS, BOATS, NES, OPINS, RIMS-FM, RHS, FMS-NSMA, STARS-FL, STARS-HCM)	DON FMO	09/2013



Net Outlays (FBWT)

Strategy Summary

- Identified Navy and DFAS key controls for Funds Distribution and Net Outlays, including FBWT reconciliation, DCAS reporting to Treasury, and reconciliations designed to identify and resolve undistributed balances. Determined certain controls required corrective action without testing. Developed substantive testing procedures for funding, disbursements, and collections, including actions to be taken by FMO, FMB, DFAS, and Navy Commands.
- DFAS continues to refine and test its systemic FBWT reconciliation in BAM. As a compensating control, DFAS is producing off-line FBWT reconciliations. Navy also is implementing reconciliations throughout the funds distribution process to demonstrate reconciliation of funding recorded at Treasury through recording in general ledgers.
- DFAS continues to utilize and refine reconciliations to research, resolve, and monitor undistributed (both supported and unsupported) amounts. Root cause analysis on unmatched transactions continues, and monthly metrics are reported to provide amounts, counts, and aging data.
- DFAS documented system changes to BAM, some of which are in development and the rest have been/are being prioritized. In addition, some accounting system changes for STARS have been identified, documented, and prioritized. In the interim, DFAS is quantifying the impact of system changes on its FBWT reconciliations.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	06/2012	10/2012
Process Documentation	✓	✓
Test Plans	06/2012	09/2012
Conduct Control Testing	06/2012	10/2012
Conduct Balance Testing	06/2012	10/2012
Implement Corrective Actions	12/2012	11/2012
Validate Corrective Actions	03/2013	
Assertion	03/2013	



Department of the Navy



Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Disbursements and collections are reported timely.	DFAS	03/2013
Disbursements and collections are valid and reported accurately.	DFAS	03/2013
Treasury accounts are reconciled timely.	DFAS, FMB, FMO, Commands	03/2013
Reconciliations, including general ledger and disbursing system data, are accurate.	DFAS, FMB, FMO, Commands	03/2013
Reconciling items are identified timely.	DFAS, FMB, FMO, Commands	03/2013
Reconciling items are valid and resolved accurately.	DFAS, FMB, FMO, Commands	03/2013
Material systems achieve relevant FISCAM IT general and application-level control objectives. (Legacy: DCM, DDRS-B, DDRS-AFS, GWA, PBIS/PBAS, FMS-NSMA, STARS-FL, STARS-HCM ERP: Navy ERP)	FMO, DFAS, DLA	Legacy: 09/2013 ERP: 12/2012



E-2D Advanced Hawkeye Acquisition Program

Overview

- E-2D Advanced Hawkeye Acquisition Program assertion positively demonstrated financial stewardship of funds allotted for a major acquisition program and audit readiness of a DON Major Command, NAVAIR, and DON service providers.
- The assertion validated the accuracy of the September 30, 2010, Appropriations Status Report (AR(M) 1002) balances for FY 2008 – FY 2010 RDT&E and APN Appropriations that represent approximately \$2.7 billion.

Financial Improvement Impact

- Identified lessons learned to guide future audit initiatives:
 - Establish a detailed PoAM to guide and monitor execution.
 - Improve Service Provider coordination.
 - Amend posting logic to properly reflect progress payments.
 - Implement consistent processes around the receipt and acceptance of goods/services.
 - Strengthen controls around the review of open obligations.
 - Perform trading partner reconciliations.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Implement Corrective Actions	✓
Validate Corrective Actions	✓
Assertion	✓

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	As Planned
Obligations are recorded in the correct period	✓
Obligations are recorded accurately and are valid	✓
Accruals and/or payables are recorded in the correct period and within 10 days of receipt	N/A
Accruals and/or payables are valid and recorded accurately	N/A
Outlays, collections, and receipts are recorded in the correct period	✓
Disbursements are valid and recorded accurately	✓
Obligations are reviewed, and adjusted as necessary, at least three times per year	✓
All material systems achieve the relevant FISCAM IT general and application-level control objectives. (Legacy: FMS-NSMA ERP: Navy ERP)	Legacy: 09/2013 ERP: 12/2012



EXISTENCE AND COMPLETENESS OF ASSETS (WAVE 3)

The DON received an unqualified audit opinion for Ships and Submarines, Satellites, and Trident Missiles in January 2012. This was followed by an unqualified audit opinion of DON Aircraft in May 2012. These two unqualified audit opinions demonstrate the DON has control of its mission critical assets and can demonstrate it through audits.

Also in FY 2012, the DON submitted Uninstalled Aircraft Engines and Navy Small Boats assertions to the OUSD(C) for pre-assertion review. These assertions were a result of substantive existence and completeness testing during FY 2011. The DON received comments from the OUSD(C) and is in process of addressing them to complete the assertions. The DON also asserted Ordnance in FY 2010 and is currently working OUSD(C) additional requirements.

The combined FY 2010 – FY 2012 existence and completeness audit readiness efforts represent approximately 83 percent of the DON unaudited net book value of General Property, Plant, and Equipment and 61 percent of the DON unaudited net book value of Operating Materials and Supplies (OM&S).

Based on OUSD(C) recommendations, the DON is conducting additional process mapping and IT general and application control testing of the Ordnance and Uninstalled Aircraft Engine assessable units, with a new DON assertion projected for Quarter 2 of FY 2013.

During FY 2012, the DON has been working on PoAM development and corrective actions for the Real Property segment. Working closely with the Real Property segment functional lead and the Naval Facilities Engineering Command (NAVFAC), the DON developed a strategy for scoping into the assertion non-NAVFAC OM&S (or other appropriation) funded acquisitions, where NAVFAC was not the construction agent. As a result, the DON developed a detailed PoAM and mapped the Real Property business processes and

controls from acquisitions and transfers to the periodic inventories and disposals. Corrective actions are also underway, such as the automation of recording Construction in Progress.

Approach to Existence and Completeness

In early FY 2012, the DON shifted focus from a strategy of substantive testing to one that emphasizes compliance with the DoD FIAR Guidance, such as identifying key control activities, business process mapping and standardization, internal control testing, and IT general and application controls testing. The DON followed these steps, as PoAMs were refined for mission critical assets such as Real Property and Government Furnished Equipment (GFE) in Quarter 2 of FY 2012. Additionally, detailed PoAMs for General Equipment, remaining Military Equipment (not asserted), and remaining OM&S not asserted, were completed in Quarter 3 of FY 2012. The Inventory PoAM was completed in Quarter 4 of FY 2012.

As in FY 2010, FY 2011, and FY 2012, the DON FY 2013 existence and completeness efforts are dependent on the cooperation and collaboration of responsible operational personnel, leadership support and buy-in, and the development of compliant procedures to validate the existence and completeness of mission critical assets deployed around the world. The DON approach to existence and completeness verification focuses on three key areas, as described below:

APSR Beginning Balances

Beginning balances in the respective Accountable Property Systems of Record (APSR) are evaluated through a review of previous audit reports, budget data, receipt documentation, and spot checks based on publicly available information. Completeness checks are performed by reconciling property records with maintenance records, readiness reports, scheduling records, and movement and transfer records.



APSR Additions and Deletions

Additions and deletions are evaluated based on process walkthrough discussions with functional personnel. When the processes, risks, and controls are documented, a sample is selected, and the asset's existence is verified by visual inspection and source documentation provided by functional personnel. Further, key controls within Acquisition and Disposal components of the property lifecycle are tested.

APSR Inventory Controls and Procedures

Inventory results are provided by operational personnel and are assessed. In lieu of physical inventories, alternative procedures are employed to assess inventory accuracy. For example, a virtual inventory can be performed using maintenance records, readiness reports, scheduling records, dated photographs, and transfer records.

A Controls Assessment Matrix is completed for each existence and completeness asset class. This document aligns risks and key control objectives for each management assertion to specific key control activities, policy references, and supporting documents. Additionally, this matrix provides a standard testing methodology across asset classes and accountability systems, and standardizes the evaluation and reporting of results.

Due to the sensitive nature of certain mission critical assets, the support systems, documentation, and location of deployed assets are not always available to the validation teams. To address this issue, the DON relies on alternative methodologies to prove asset existence. These alternative methodologies include on-site testing of data elements and condition/status codes to prove the accuracy of the data. In some cases, classified data files or source documents are provided to cleared personnel for review, as some assets are not available for visual inspection (e.g., Ships, Satellites). Through unprecedented cooperation, functional personnel are often made available to discuss procedures, asset management policies, supporting systems, and data. This buy-in and cooperation is

essential to completing the existence and completeness audit assertions.

Property Governance

The DON has taken a three-tiered approach to enhance its property governance. First, the DON established a Property Governance Council, which is chaired by the Assistant Secretary of the Navy Energy, Installations, and Environment and co-chaired by the Assistant Secretary of the Navy (Financial Management and Comptroller). The Chief of Naval Operations, Commandant of the Marine Corps, and Assistant Secretary of the Navy Research Development and Acquisition are also key members of the council. The Property Governance Council establishes and oversees the execution of property guidance. Second, each Echelon II/Budget Submitting Office establishes a Command Property Official to oversee the execution of property management within each Command. The Command Property Official will contribute leadership for property accountability and auditability within each Command. Finally, each Command is designating command/activity-level Accountable Property Officials to carry out day-to-day property management functions.

EXISTENCE AND COMPLETENESS OF ASSETS TRI-CHARTS

Below are the DON existence and completeness assessable units. Figure IV-3 provides the DON audit readiness plans for the existence and completeness assessable units. It also identifies the changes to milestones from the baseline established in the November 2010 FIAR Plan Status Report or from when first reported.

- Military Equipment – Ships and Submarines, Trident Missiles, and Satellites
- Military Equipment – Aircraft (DON)
- Military Equipment – Navy Boats



Military Equipment – Ships and Submarines, Trident Missiles, and Satellites

Strategy Summary

- Ships and Submarines, Trident D5 Missiles, and Satellites were asserted for Existence, Completeness, and Rights and Obligations as of 09/2010, and received an unqualified opinion in 01/2012.
- Perform additions and deletions of Ships and Submarines in DPAS, the APSR for Ships and Submarines, for sustainability.
- Transition DPAS reconciliations to NAVSEA for repeatability and sustainment.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	N/A
Implement Corrective Actions	✓
Validate Corrective Actions	✓
Assertion	✓

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	✓
Military equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	✓
Military equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	✓
Military equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	✓
Changes to military equipment (condition, location) are recorded in the APSR timely.	Commands	✓
Changes to military equipment (condition, location) are recorded accurately in the ASPR.	Commands	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (Legacy: DPAS, NVR, STARS-HCM ERP: Navy ERP)	DON FMO	Legacy: 09/2013 ERP: 12/2012



Department of the Navy



Military Equipment – Aircraft (DON)

Strategy Summary

- Asserted Existence, Completeness, and Rights and Obligations as of 09/2010, received an unqualified opinion during 05/2012.
- Perform additions and deletions test work in DPAS (the APSR) for aircraft to bolster inventory procedures for sustainment.
- Transition DPAS reconciliations to NAVAIR for repeatability and sustainment.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	N/A
Implement Corrective Actions	✓
Validate Corrective Actions	✓
Assertion	✓

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	✓
Military equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	✓
Military equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	✓
Military equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	✓
Changes to military equipment (condition, location) are recorded in the APSR timely.	Commands	✓
Changes to military equipment (condition, location) are recorded accurately in the ASPR.	Commands	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (Legacy: DPAS, AIRRS, STARS-HCM ERP: Navy ERP)	DON FMO	Legacy: 09/2013 ERP: 12/2012



Department of the Navy



Military Equipment – Navy Boats

Strategy Summary

- Navy Boats, different than Ships, may be assigned to and carried on a ship or assigned to an expeditionary command, shore station, or fleet operating unit.
- Assertion relies on a virtual inventory of the Boats population.
- Performed independent testing to verify existence and completeness with positive results.
- Navy Boats assertion was changed due to implementation of the Boats Inventory Management manual to support periodic inventory controls. The Navy is refreshing its virtual inventory (in lieu of control testing) by collecting records for 800+ boats (including 244 MSC boats). This will delay assertion to 12/2012. Submitted pre-assertion for review in 05/2012.
- Control testing is not required due to small size of the population and the execution of a full substantive reconciliation.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Completion
Discovery	✓	✓
Process Documentation	✓	✓
Test Plans	✓	✓
Conduct Control Testing	N/A	N/A
Implement Corrective Actions	✓	✓
Validate Corrective Actions	✓	✓
Assertion	06/2012	12/2012

Note: The table on the following page provides an explanation for the change in assertion date.

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	✓
Military equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	✓
Military equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	✓
Military equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	✓
Changes to military equipment (condition, location) are recorded in the APSR timely.	Commands	✓
Changes to military equipment (condition, location) are recorded accurately in the ASPR.	Commands	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (Legacy: DPAS, NVT, CBSS, STARS-HCM ERP: Navy ERP)	DON FMO	Legacy: 09/2013 ERP: 12/2012



Department of the Navy



Explanation for the Changed Assertion Milestone

Military Equipment – Navy Boats	
Original Milestone Date	06/2012
Reason(s) Milestone Was Changed	Additional requirements documentation were required for financial reconciliation. Key risks and control activities were not adequately defined within the Navy Boats inventory addition and deletion processes. Need to refresh virtual inventory (in lieu of control testing) by collecting records for 800+ boats (including 244 MSC boats).
Revised Milestone Date	12/2012
Actions to Ensure Milestone Will Be Met	The revised milestone will be met as part of DON's overall audit readiness strategy and approach to achieving audit readiness. This will be accomplished by addressing these issues, which consist of identifying control activities and demonstrating that the APSR data reconciles to the financial statements, both of which are part of DON's overall audit readiness strategy and approach to achieving an auditability.
Impact on Achieving Full Auditability by 2017	None



Department of the Navy



Military Equipment – Remainder (Navy)

Strategy Summary

- Developed Military Equipment PoAM, inclusive of updated DoD FIAR Guidance requirements, to assert residual military equipment.
- Detailed plan includes continued focus on key corrective actions identified early in the Discovery phase, as well as existence and completeness and internal control testing—a first in the Military Equipment assessable unit.
- Alternative inventory methodologies will be used where applicable to reduce the amount of field testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	09/2013	03/2013
Process Documentation	06/2013	01/2013
Test Plans	08/2013	02/2013
Conduct Control Testing	09/2013	03/2013
Implement Corrective Actions	04/2014	12/2013
Validate Corrective Actions	06/2014	
Assertion	09/2014	

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	06/2014
Military equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	06/2014
Military equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	06/2014
Military equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	06/2014
Changes to military equipment (condition, location) are recorded in the APSR timely.	Commands	06/2014
Changes to military equipment (condition, location) are recorded accurately in the ASPR.	Commands	06/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (Legacy: DPAS, EXMIS, STARS-FL, STARS-HCM ERP: Navy ERP)	DON FMO	Legacy: 09/2013 ERP: 12/2012



Military Equipment (USMC)

Strategy Summary

- Developed PoAM, inclusive of updated DoD FIAR Guidance requirements, to assert USMC Military Equipment assets.
- Detailed plan includes continued focus on key corrective actions identified early in the Discovery phase, as well as existence and completeness and internal control testing—a first in the Military Equipment assessable unit.
- Alternative inventory methodologies will be used where applicable to reduce the amount of field testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	03/2013
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	03/2013
Implement Corrective Actions	04/2013
Validate Corrective Actions	04/2013
Assertion	05/2013

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	USMC	04/2013
Military equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	USMC	04/2013
Military equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	USMC	04/2013
Military equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	USMC	04/2013
Changes to military equipment (condition, location) are recorded in the APSR timely.	USMC	04/2013
Changes to military equipment (condition, location) are recorded accurately in the ASPR.	USMC	04/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (GCSS-MC)	DON FMO	04/2013



Department of the Navy



General Equipment (Navy)

Strategy Summary

- General Equipment existence and completeness efforts were delayed in FY 2011 and FY 2012 due to increased emphasis on the SBR
- Developed PoAM, which is inclusive of updated DoD FIAR Guidance requirements, to assert residual General Equipment assets, including continued focus on corrective actions identified early in the Discovery phase, as well as controls and testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	09/2013	03/2013
Process Documentation	07/2013	01/2013
Test Plans	08/2013	02/2013
Conduct Control Testing	09/2013	03/2013
Implement Corrective Actions	04/2014	12/2013
Validate Corrective Actions	06/2014	
Assertion	09/2014	

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned	Revised
General equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	06/2015	06/2014
General equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	06/2015	06/2014
General equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	06/2015	06/2014
General equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	06/2015	06/2014
Changes to general equipment (condition, location) are recorded in the APSR timely.	Commands	06/2015	06/2014
Changes to general equipment (condition, location) are recorded accurately in the ASPR.	Commands	06/2015	06/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (Legacy: DPAS, FMS-NSMA, STARS-FL, STARS-HCM ERP: Navy ERP)	DON FMO	Legacy: 09/2013 ERP: 12/2012	



Department of the Navy



General Equipment (USMC)

Strategy Summary

- Conducted field-level existence and completeness testing in FY 2011.
- Evaluated control procedures and documentation.
- Developed Garrison Mobile Equipment assertion and provided to OUSD(C) for precursory review.
- Developed PoAM, which is inclusive of updated DoD FIAR Guidance requirements, to assert General Equipment assets.
- The PoAM includes continued focus on key corrective actions identified early in the Discovery phase, as well as internal controls and existence and completeness testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	07/2013
Process Documentation	11/2012
Test Plans	12/2012
Conduct Control Testing	07/2013
Implement Corrective Actions	02/2014
Validate Corrective Actions	07/2014
Assertion	09/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	USMC	07/2014
Military equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	USMC	07/2014
Military equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	USMC	07/2014
Military equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	USMC	07/2014
Changes to military equipment (condition, location) are recorded in the APSR timely.	USMC	07/2014
Changes to military equipment (condition, location) are recorded accurately in the ASPR.	USMC	07/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (DPAS)	OUSD(AT&L)	07/2014



Department of the Navy



Real Property (DON)

Strategy Summary

- Developed PoAM to detail key steps and interim milestones to assert Real Property, including continued focus on key corrective actions and internal control testing.
- Conduct physical inventories of 20 percent of Real Property each year.
- Use the internet Navy Facility Assets Data Store (iNFADS) to manage Real Property, including property valuation. There are no plans to migrate data to Navy ERP at this time.
- Continue to implement corrective actions, including automating the DD Form 1354 process for both MILCON and Non-MILCON acquisitions, minor construction accountability, and data reconciliations with Defense Agency tenants.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	05/2013	06/2013
Process Documentation	✓	✓
Test Plans	✓	✓
Conduct Control Testing	05/2013	06/2013
Implement Corrective Actions	08/2013	09/2013
Validate Corrective Actions	12/2013	03/2014
Assertion	03/2014	

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned	Revised
Construction in progress (CIP) is recorded in the general ledger timely.	NAVFAC, USMC	12/2013	03/2014
CIP is recorded accurately in the general ledger.	NAVFAC, USMC	12/2013	03/2014
Completed CIP, other acquisitions, and transfers-in are recorded in the APSR and general ledger timely.	NAVFAC, USMC	12/2013	03/2014
Completed CIP, other acquisitions, and transfers-in are recorded accurately in the APSR and general ledger.	NAVFAC, USMC	12/2013	03/2014
Real property disposals and transfers-out are recorded in the APSR and general ledger timely.	NAVFAC, USMC	12/2013	03/2014
Real property disposals and transfers-out are recorded accurately in the APSR and general ledger.	NAVFAC, USMC	12/2013	03/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (Legacy: FIS, INFADS, FMS-NSMA, STARS-FL, STARS-HCM ERP: Navy ERP)	DON FMO	Legacy: 09/2013 ERP: 11/2012	Legacy: 03/2014 ERP: 03/2014



Department of the Navy



Operating Materials and Supplies – Ordnance (DON)

Strategy Summary

- Initially asserted OM&S - Ordnance in 09/2010, using Ordnance Information System (OIS).
- Planned activity includes IT general and application controls testing, and periodic inventory results of Navy ordnance.
- Milestones consist of activities required for re-assertion per feedback received from OUSD(C), including internal control testing for additions, deletions, and issuance.
- Conduct repeatable sustainability control testing to maintain audit ready assertion.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Implement Corrective Actions	✓
Validate Corrective Actions	✓
Assertion	✓

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Navy Commands, USMC, Army	✓
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Navy Commands, USMC, Army	✓
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Navy Commands, USMC, Army	✓
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Navy Commands, USMC, Army	✓
Changes to OM&S (condition, location) are recorded in the APSR timely.	Navy Commands, USMC, Army	✓
Changes to OM&S (condition, location) are recorded accurately in the ASPR.	Navy Commands, USMC, Army	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (Legacy: OIS, STARS-HCM ERP: Navy ERP)	Navy Commands, USMC, Army	Legacy: 9/2013 ERP: 12/2012



Department of the Navy



Operating Materials and Supplies – Uninstalled Aircraft Engines (DON)

Strategy Summary

- Aircraft Engines, both installed and uninstalled, were tested due to the tremendous turnover of engines between the installed and uninstalled categories caused by maintenance requirements.
- Draft assertion, based on substantive procedures, provided to OUSD(C) in Quarter 1 of FY 2012 for precursory review.
- Assertion delayed from 09/2011 due to requirement to perform control testing within the acquisition, deletion, and issuance sub-processes.
- Re-conduct virtual inventory to ensure complete validation of uninstalled aircraft engines inventory.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	✓	
Process Documentation	✓	
Test Plans	✓	
Conduct Control Testing	✓	01/2013
Implement Corrective Actions	06/2012	02/2013
Validate Corrective Actions	07/2012	02/2013
Assertion	09/2012	03/2013

Note: The table on the following page provides an explanation for the change in assertion date.

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned	Revised
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	07/2012	03/2013
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	07/2012	03/2013
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	07/2012	03/2013
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	07/2012	03/2013
Changes to OM&S (condition, location) are recorded in the APSR timely.	Commands	07/2012	03/2013
Changes to OM&S (condition, location) are recorded accurately in the ASPR.	Commands	07/2012	03/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (Legacy: DECKPLATE ERP: Navy ERP)	DON FMO	Legacy: 9/2013 ERP: 12/2012	



Department of the Navy



Explanation for the Changed Assertion Milestone

OM&S – Uninstalled Aircraft Engines	
Original Milestone Date	09/2012
Reason(s) Milestone Was Changed	Additional virtual inventory substantive procedures needed to ensure the validation of inventory is completed.
Revised Milestone Date	03/2013
Actions to Ensure Milestone Will Be Met	Re-conduct virtual inventory to ensure complete validation of uninstalled aircraft engines inventory.
Impact on Achieving Full Auditability by 2017	None



Department of the Navy



Operating Materials and Supplies – Remainder (Navy)

Strategy Summary

- During FY 2012, reviewed Command OM&S sponsor-owned equipment and submitted an assertion for the Existence, Completeness, and Rights and Obligations of Ordnance assets (as of 09/2010).
- Developed PoAM, which is inclusive of updated DoD FIAR Guidance requirements, to assert residual OM&S assets.
- PoAM includes continued focus on key corrective actions identified early in the Discovery Phase, as well as existence and completeness and internal controls testing—a first in the OM&S assessable unit.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	06/2014	09/2013
Process Documentation	04/2014	07/2013
Test Plans	05/2014	08/2013
Conduct Control Testing	06/2014	09/2013
Implement Corrective Actions	10/2014	06/2014
Validate Corrective Actions	12/2014	
Assertion	03/2015	

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	12/2014
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	12/2014
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	12/2014
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	12/2014
Changes to OM&S (condition, location) are recorded in the APSR timely.	Commands	12/2014
Changes to OM&S (condition, location) are recorded accurately in the ASPR.	Commands	12/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (Legacy: ILSMIS, STARS-FL, STARS-HCM ERP: Navy ERP)	DON FMO	Legacy: 9/2013 ERP: 12/2012



Department of the Navy



Operating Materials and Supplies (USMC)

Strategy Summary

- Developed PoAM, which is inclusive of updated DoD FIAR Guidance requirements, to assert USMC OM&S assets.
- PoAM includes continued focus on key corrective actions identified early in the Discovery phase, as well as existence and completeness and internal controls testing—a first in the OM&S assessable unit.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	03/2013
Process Documentation	11/2012
Test Plans	12/2012
Conduct Control Testing	03/2013
Implement Corrective Actions	09/2013
Validate Corrective Actions	07/2014
Assertion	09/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	USMC	07/2014
Military equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	USMC	07/2014
Military equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	USMC	07/2014
Military equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	USMC	07/2014
Changes to military equipment (condition, location) are recorded in the APSR timely.	USMC	07/2014
Changes to military equipment (condition, location) are recorded accurately in the ASPR.	USMC	07/2014
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	DON FMO	07/2014



Inventory (DON)

Strategy Summary

- Finalizing the rollout of Navy ERP version 1.1, which will be used to manage all DON inventory assets.
- Preliminary testing of inventory assets in Navy ERP began in FY 2012.
- Developing PoAM, inclusive of updated DoD FIAR Guidance requirements, to assert DON Inventory assets.
- PoAM includes continued focus on key corrective actions identified early in the Discovery Phase, as well as existence and completeness and internal control testing.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	06/2013
Process Documentation	04/2013
Test Plans	05/2013
Conduct Control Testing	06/2013
Implement Corrective Actions	07/2013
Validate Corrective Actions	09/2013
Assertion	12/2013

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Inventory acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	NAVSUP, USMC, DLA	09/2013
Inventory acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	NAVSUP, USMC, DLA	09/2013
Inventory disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	NAVSUP, USMC, DLA	09/2013
Inventory disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	NAVSUP, USMC, DLA	09/2013
Changes to inventory (condition, location) are recorded in the APSR timely.	NAVSUP, USMC, DLA	09/2013
Changes to inventory (condition, location) are recorded accurately in the ASPR.	NAVSUP, USMC, DLA	09/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (Legacy: N/A (only NAVSUP, a Navy ERP NWCF Command, procures Inventory) ERP: Navy ERP)	NAVSUP, USMC, DLA	Legacy: N/A ERP: 12/2012



Department of the Navy



Government Furnished Equipment (DON)

Strategy Summary

- Developed PoAM, inclusive of updated DoD FIAR Guidance and OUSD(AT&L) Government Furnished Equipment requirements.
- Conducted kick-off meeting with Acquisition and Property Management communities to initiate Government Furnished Equipment assertion collaboration.
- Identifying DON contracts that contain Government Furnished Equipment.
- Developing template for contracting officers to request Government Furnished Equipment list from DON contractors and vendors.
- Will require contractors to update the IUID Registry, Property Administrators update DON APSR, and Commands implement and test controls.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	09/2014	03/2014
Process Documentation	09/2014	01/2014
Test Plans	06/2014	02/2014
Conduct Control Testing	09/2014	03/2014
Implement Corrective Actions	03/2016	12/2014
Validate Corrective Actions	06/2016	06/2015
Assertion	09/2016	09/2015

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
GFE acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	Commands	06/2015
GFE acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	06/2015
GFE disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely	Commands	06/2015
GFE disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	Commands	06/2015
Changes to general equipment (condition, location) are recorded in the APSR timely.	Commands	06/2015
Changes to general equipment (condition, location) are recorded accurately in the ASPR.	Commands	06/2015
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (Legacy: DPAS, FMS-NSMA, STARS-FL, STARS-HCM ERP: Navy ERP)	DON FMO	06/2015



Department of the Navy



DON FIAR RESOURCES

DON FIAR funding is categorized by the following areas: Audit Readiness, Audit/Validation, and Financial Systems. Each of these areas is explained below, and the amounts applied to each are presented in Figure IV-4.

Audit Readiness includes the resources for evaluation, discovery, and corrective actions of DON and its service providers (e.g., DFAS) and documenting and/or modifying processes and controls, identifying internal control deficiencies through testing and remediation of deficiencies, and evaluating transaction-level evidential matter to ensure that it is readily available. Also included are the resources for activities to test or verify audit readiness after completing corrective actions, and prepare management assertion packages.

Validations and Audits includes the resources for validations, examinations, and financial statement audits conducted by IPAs.

Financial Systems includes the resources for designing and achieving an audit ready systems environment, but does not include ERP deployment costs. It also includes the resources to make needed and cost effective changes to legacy systems that will be part of the audit ready systems environment. Financial System resources include: design, development, deployment, interfaces, data conversion and cleansing, system independent verification, validation and testing, implementation of controls and control testing, and system and process documentation. Cost information for ERPs is provided in Section VIII.

Figure IV-4. DON Audit Readiness Resources (\$ in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Audit Readiness	\$ 63	\$ 97	\$ 89	\$ 65	\$ 63	\$ 61	\$ 61
<i>Process Review and Remediation</i>	40	64	61	41	40	38	38
<i>DFAS Audit Readiness Support</i>	19	29	24	20	19	19	19
<i>Internal Audit Cost</i>	4	4	4	4	4	4	4
Validations and Audits	\$ 10	\$ 8	\$ 11	\$ 35	\$ 35	\$ 35	\$ 35
Financial Systems	\$ 12	\$ 12	\$ 12	\$ 8	\$ 8	\$ 8	\$ 8
Total Resources	\$ 85	\$ 117	\$ 112	\$ 108	\$ 106	\$ 104	\$ 104



Department of the Navy



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Message from the Department of the Air Force Chief Management Officer

The Department of the Air Force recognizes the benefits of achieving audit readiness, and we are executing a plan to meet the 2014 goal established by Secretary Panetta. As we proceed, we will continue to evaluate policies, processes, and system enhancements for sustainability and cost-effectiveness. For example, we standardized document numbers on fund distribution documents. This inexpensive process change improves visibility and traceability into our funds distribution process. The Air Force is also relying on simple, low cost systems solutions, such as deploying an automated time and attendance system to reduce the administrative workload on our work center supervisors. This automated solution, Automated Time, Attendance, and Production System, or ATAAPS, will enhance audit readiness through embedded edit checks and allow supervisors to manage the workforce more effectively.



Although we are making real progress, many challenges remain. To meet the 2014 goal, the Air Force must rely on numerous service providers, including the Defense Finance and Accounting Service, the Defense Logistics Agency, the Defense Contract Management Agency, and the Defense Contract Audit Agency. The service providers must also meet aggressive deadlines which add complexity and risk to our overall effort. Additionally, we are in the midst of deploying several large information technology systems that will not be fully deployed in time to meet the 2014 and 2017 dates. This will challenge us as data is entered, recorded, and reported out of multiple systems. Despite these challenges, I know that our efforts will improve Air Force financial management, as well as the service that we provide to our Airmen, vendors, and Congress.

I have determined that the Air Force is on a well designed albeit moderate risk path to achieve audit readiness of the Statement of Budgetary Resources by September 30, 2014, as required by the Secretary of Defense and the Congress. We believe we can achieve this requirement without an unaffordable or unsustainable level of one-time fixes and manual work-arounds and without delaying full auditability of the Air Force's financial statements by September 30, 2017.

A handwritten signature in black ink, appearing to read 'J. Morin', with a long horizontal flourish extending to the right.

Jamie M. Morin
Acting Chief Management Officer
Department of the Air Force

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V. Air Force Audit Readiness Plans

The leadership of the Department of the Air Force (Air Force) is engaged and committed to achieving audit readiness. This important requirement and commitment extends to the highest levels—both military and civilian. The new Air Force Chief of Staff issued a memorandum addressing his commitment to audit readiness, saying results rests in the hands of every Airman, and highlighting the need to “get back to basics” to ensure compliance with existing Air Force instructions and manuals. The Air Force Vice Chief of Staff and the Under Secretary of the Air Force issued a memorandum emphasizing the importance of audit readiness and directing all senior civilians to include audit readiness objectives in their annual performance plans.

Figure V-1. Air Force FIAR Logo



Audit readiness cannot be achieved in a vacuum, and Airmen in all functional communities and at all ranks must understand how their actions impact the goal of achieving full audit readiness by September 30, 2017. To continue to raise FIAR awareness within the Air Force, a logo and tagline were developed. The message is simple, “Accountability From

Flightline to Bottomline,” and the logo (Figure V-1) keeps a style consistent with the Air Force tradition. The new logo and message help make FIAR a part of everyday operations throughout the Air Force and will be used in all FIAR-related communications.

In May 2012, the Air Force held an audit readiness summit for financial management representatives from Air Force Major Commands (MAJCOMS) and headquarters staff. The MAJCOMS agreed to assign a lead MAJCOM to assessable units to streamline

their support of audit readiness efforts and to provide their expertise in the most material areas.

The Air Force Defense Enterprise Accounting and Management System (DEAMS) will not be fully deployed in 2014. Therefore, the Air Force will rely on manual controls and legacy system enhancements in order to meet the FY 2014 goal of audit readiness for the SBR. The accelerated goal for the SBR presents challenges, as well as opportunities. For example, the time and resources required to conduct testing will increase because manual controls are generally less reliable and require more testing than system controls. The difficulty of collecting supporting documents processed in multiple systems and reconciling data as it moves from one system to another also is a challenge. To meet the FY 2014 goal, the Air Force will work assessable units concurrently and require additional contractor and auditing expertise to conduct discovery and corrective actions.

Air Force leadership recognizes there is moderate risk in the FY 2014 target given the challenges. However, leadership is monitoring progress and addressing issues. The FIAR work conducted in the legacy system environment will better inform the design of DEAMS and strengthen the long-term sustainability of audit readiness into the future.

Since the May 2012 FIAR Plan Status Report, the DoD Office of Inspector General (DoD OIG) issued an unqualified examination opinion on Air Force audit readiness existence and completeness assertions for military equipment, aerial target/drones, and cruise missiles valued at approximately \$86 billion and representing 41 and 14 percent of Air Force and DoD mission critical assets, respectively. In addition, the DoD OIG started an existence and completeness examination of spare engines and uninstalled missile motors.

Also since the May Report, the Air Force submitted audit readiness assertions for:



STATEMENT OF BUDGETARY RESOURCES (WAVE 1 AND WAVE 2)

The Air Force strategy focuses on the life-cycle of appropriated funds. The Air Force, in coordination with DFAS, developed a methodology for audit readiness of the SBR focused on four assessable units that cover funds receipt and distribution, obligations, outlays, reimbursements, and reconciliation processes that ultimately impact the entire SBR.

Since the May 2012 FIAR Plan Status Report, the Air Force:

- Submitted an audit readiness assertion for the SIBRS MDAP.
- Finalized testing for Funds Distribution to Base and asserted audit readiness.
- Completed testing for Civilian Pay.
- Identified process gaps between the Reimbursable Budget Authority and Reimbursable Work Orders assessable units. These two assessable units and their supporting financial improvement plans are now being worked as a single, comprehensive assessable unit titled, Reimbursement Authority and Execution.

These accomplishments inform Air Force leadership of the process and system changes required to pass an audit for these processes.

Appropriations Received (Wave 1)

The Air Force received an unqualified audit opinion from an Independent Public Accounting (IPA) firm on August 3, 2011, on its Appropriations Received assertion. The IPA recommended procedures to facilitate a reconciliation of Budget Authority down to the base-level. The Air Force implemented these enhancements and will assert on this process in Quarter 4 of FY 2013.

Statement of Budgetary Resources (Wave 2)

On October 21, 2011, the Air Force received a clean opinion on its Fund Balance with Treasury reconciliation process. Further, the Air Force continues to make progress on the Reimbursement Authority and Execution assessable unit, which comprises Spending Authority and the reimbursement life-cycle. Still, Air Force audit readiness of the SBR requires overcoming significant challenges.

First and foremost, the Air Force does not have a transaction-based general ledger or the ability to trace financial transactions from business events to the financial statements and back. This problem is a direct result of a legacy accounting system based on 1960s accounting policies, processes, and procedures. The Air Force solution is a multi-pronged effort that includes the implementation of the DEAMS, as well as instituting business process improvements. Currently, DEAMS is operational at Scott and McConnell Air Force Bases, and the Air Force plans to conduct interim audits to validate the effectiveness of the system and its ability to address key control objectives. Lessons learned and findings will result in corrective actions for the roll out of DEAMS to the rest of the Air Force.

The Air Force created a tiger team comprised of Air Force Financial Management, DFAS Audit Readiness Office, and IPA personnel to construct a detailed Quantitative Drill Down from the SBR to the individual-transaction level. This action will provide each of the SBR assessable unit teams with a critical component of the Discovery phase, as well as the ability to identify any shortcomings in legacy controls and reconciliations necessary in DEAMS environment. This approach assists in tracing amounts reported on the SBR to individual transactions in feeder systems, and then the Air Force will not be completely reliant on DEAMS for audit readiness. To sustain audit readiness, however, the Air Force will require an accounting system that is SFIS compliant.



Department of the Air Force



The Air Force continues to seek other ways to accelerate audit readiness of the SBR in the current environment as DEAMS is deployed throughout the Air Force.

Statement of Budgetary Resources Assessable Units

Figure V-3 provides the Air Force audit readiness plans for the SBR by assessable unit. The figure also identifies the changes from the baseline established in the November 2010 FIAR Plan Status Report or from when first reported. The SBR assessable units are:

- Funds Distribution to Base
- Military Pay
- Civilian Pay
- Reimbursement Authority and Execution
- Net Outlays (Funds at Treasury)
- Contracts (Major)
- Contracts (Minor)
- Supply Requisition (MILSTRIP)
- Financial Reporting
- Spaced Based Infrared System Acquisition Program

Since the May 2012 FIAR Plan Status Report, while conducting discovery work in the assessable units of Reimbursable Budget Authority and Reimbursable Work Orders, it was determined that there were process gaps between the two assessable units. To remedy the gaps, the two assessable units and their supporting financial improvement plans were combined and are now being worked as a single comprehensive assessable unit titled, Reimbursement Authority and Execution.

Assessable Unit Progress and Plan Charts

Following Figure V-3 are SBR assessable unit progress and plan charts. There is one chart for each assessable unit being worked by the Air Force to achieve SBR audit readiness in FY 2014. These charts comprise three sections: strategy, milestones, and outcomes. The strategy section notes the Air Force's strategy to achieve audit readiness. The milestone section shows the dates for completing the FIAR phases. The outcomes table identifies the outcomes of audit readiness, the date the audit readiness outcomes will be completed, and the accountable entities.



Funds Distribution to Base

Strategy Summary

- Builds on previous Appropriations Received/Funds Distribution to MAJCOM assertion.
- Implemented cross-system reconciliation between the funds distribution system, accounting system, and general ledger.
- Implemented standard document number funding targets.
- Established a strategic communication plan to share lessons learned and issues identified during MAJCOM control testing.
- Provide training to base and MAJCOM level personnel on what it means to be “audit ready” versus ready for operational audits.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Implement Corrective Actions	✓
Validate Corrective Actions	✓
Assertion	✓

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Current year funds distributed are recorded timely in the Distribution System.	SAF/FMB	✓
Current year funds distributed are valid and recorded accurately in the Distribution System.	SAF/FMB	✓
Current year sub-allotments are recorded timely.	SAF/FMB	✓
Current year sub-allotments are valid and recorded accurately.	SAF/FMB	✓
Current year funds distributed are recorded timely.	SAF/FMB	✓
Current year funds distributed are valid and recorded accurately.	SAF/FMB	✓
Other activity (e.g., undistributed amounts) is recorded accurately in the General Ledger balance with current year funds distributed within the organization.	DFAS	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (DDRS-AFS, DDRS-B, GAFS-R, GAFS-BQ, AFM)	SAF/FMP, DFAS	✓



Military Pay

Strategy Summary

- Milestone dates were changed due to delays in obtaining quantitative drill information for active and reserve components. In addition, delays were encountered while refining process and control information for internal control identification and testing.
- Perform reconciliation between Military Personnel Data System and Defense Joint Military Pay System to identify and validate personnel and financial mismatched data.
- Reconcile monthly Military Pay (Active, Reserve, and ANG).
- Review DoD OIG and GAO reports to develop Corrective Action Plans and correct existing weaknesses, if necessary.
- Review and update, as necessary, training for Defense Joint Military Pay System users (auditors and certifiers).
- Leverage DFAS SSAE 16 process flows, testing, and corrective actions for controls reliance. Identify controls not covered by SSAE 16 and implement other assessment procedures.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	06/2012	01/2013
Process Documentation	✓	01/2013
Test Plans	05/2012	01/2013
Conduct Control Testing	06/2012	01/2013
Conduct Balance Testing	06/2012	01/2013
Implement Corrective Actions	10/2012	02/2013
Validate Corrective Actions	12/2012	06/2013
Assertion	03/2013	06/2013

Note: The table on the following page provides an explanation for the change in assertion date.

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Personnel data are recorded timely.	HAF/A1	06/2013
Personnel data are valid and recorded accurately.	HAF/A1	06/2013
Payroll is calculated and processed accurately.	DFAS	06/2013
Payroll obligations, expenses, accruals, and disbursements are recorded timely.	SAF/FM, DFAS	06/2013
Payroll obligations, expenses, accruals, and disbursements amounts are valid and recorded correctly.	SAF/FM, DFAS	06/2013
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	SAF/FM, DFAS	06/2013
Material systems achieve relevant FISCAM IT general and application-level control objectives. (DDRS-AFS, DDRS-B, GAFS-R, GAFS-BQ, DJMS-AC, DJMS-RC, CDS, ARMS, DMO, MILPDS, AROWS, AROWS-R)	SAF/FM, DFAS, DISA	06/2013



Department of the Air Force



Explanation for the Changed Assertion Milestone

Military Pay	
Original Milestone Date	03/2013
Reason(s) Milestone Was Changed	The assertion date was changed due to delays in obtaining quantitative drill down information for active and reserve components. In addition, delays were encountered while refining process and control information at an appropriate level for internal control identification and testing.
Revised Milestone Date	06/2013
Actions to Ensure Milestone Will Be Met	Senior leadership has increased the level of engagement and is conducting weekly status meetings to quickly resolve issues.
Impact on Achieving Full Auditability by 2017	None



Civilian Pay

Strategy Summary

- Reconcile financial statements to detailed transactions to ensure identification of the complete population of transactions.
- Test controls to determine if key control objectives are effective and documentation is available and supports business events.
- Recalculate payroll samples from source documents to leave and earnings statements.
- Testing identified that further work was needed to ensure all processes, controls, and roles and responsibilities were identified and in place; therefore, the dates were adjusted to reflect this discovery. The Air Force is moving from a manual time and attendance process to an automated process using Automated Time Attendance and Production System (ATAAPS).
- Partner with AFPC and HAF/A1 to ensure SMEs are available, audit readiness is given the appropriate attention, and key process owners are involved throughout the entire Discovery phase.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	✓	✓
Process Documentation	✓	✓
Test Plans	✓	✓
Conduct Control Testing	✓	✓
Conduct Balance Testing	✓	✓
Implement Corrective Actions	07/2012	11/2012
Validate Corrective Actions	09/2012	12/2012
Assertion	12/2012	

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned	Revised
Personnel data are recorded timely.	HAF/A1	✓	✓
Personnel data are valid and recorded accurately.	HAF/A1	✓	✓
Payroll is calculated and processed accurately.	DFAS	✓	✓
Payroll obligations, expenses, accruals, and disbursements are recorded timely.	DFAS	✓	✓
Payroll obligations, expenses, accruals, and disbursements amounts are valid and recorded correctly.	DFAS	✓	✓
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	DFAS	✓	✓
Material systems achieve relevant FISCAM IT general and application-level control objectives. (DDRS-AFS, DDRS-B, GAFS-R, GAFS-BQ, ADS, CDS, ATAAPS, CPAB, CPAIS, DCPDS, DCPS, JOCAS II, DMAP-TAAS, EBIS, PARIS)	DFAS, DISA, SAF/FMPS	11/2012	12/2012



Reimbursement Authority and Execution

Strategy Summary

- Testing identified major gaps in reimbursement processes. Reimbursable Budget Authority and Reimbursable Work Orders were combined and renamed Reimbursement Authority and Execution. The assertion date for Reimbursable Work Orders does not change, and there is no impact on achieving SBR auditability in 2014.
- Controls over reimbursable authority will be improved by mapping business events to the appropriate general ledger accounts. Air Force and DFAS are changing the legacy accounting system to map business events to the correct GL accounts.
- Process improvements will ensure reimbursable obligation authority is recorded and controlled for both apportioned and auto-apportioned appropriations. New standard document ID will provide traceability from customer order thru obligation, execution, billing, and collections.
- Leverage work performed and lessons learned from the Funds Distribution to MAJCOM assertion and audit, and the Funds Distribution to Base assertion.
- Create a second set of budgetary activity codes for reimbursable execution of O&M funds, which will allow the Air Force to separately identify reimbursable execution (obligations and outlays performed to fulfill a reimbursable work order) from direct execution. This will ensure reimbursable execution does not exceed offsetting collections and provide the necessary support for reimbursable billings. AMC is hosting a pilot test to separate reimbursable authority into budget activity codes from the apportionment of the funds throughout the lifecycle.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	Reimbursable Budget Authority As Planned	Reimbursable Work Orders As Planned	Revised
Discovery	05/2012	07/2013	07/2013
Process Documentation	✓	11/2012	01/2013
Test Plans	✓	01/2013	04/2013
Conduct Control Testing	✓	04/2013	04/2013
Conduct Balance Testing	✓	04/2013	04/2013
Implement Corrective Actions	07/2012	05/2013	10/2013
Validate Corrective Actions	09/2012	06/2013	11/2013
Assertion	12/2012	12/2013	12/2013

Note: The table on the following page provides an explanation for the change in assertion date.



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Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned	Revised
Unfilled customer orders are recorded timely.	SAF/FMB	12/2012	12/2013
Unfilled customer orders are valid and recorded accurately.	SAF/FMB	12/2012	12/2013
Revenue, advances, and IPAC collections are recorded timely.	SAF/FMB,DFAS	12/2012	12/2013
Revenue, advances, and IPAC collections are valid and recorded accurately.	SAF/FMB,DFAS	12/2012	12/2013
Stale or invalid unfilled customer orders and uncollected customer payments/accounts receivable are removed.	SAF/FMB	12/2012	12/2013
Obligations are recorded timely.	SAF/FMB	12/2013	
Obligations are valid and recorded accurately.	SAF/FMB	12/2013	
Accruals and payables are recorded timely.	SAF/FMB,DFAS	12/2013	
Accruals and payables are valid and recorded accurately.	SAF/FMB,DFAS	12/2013	
IPAC disbursements and advances are recorded timely.	SAF/FMB,DFAS	12/2013	
IPAC Disbursements and advances are valid and recorded accurately.	SAF/FMB,DFAS	12/2013	
Stale or invalid obligations and accruals are removed.	SAF/FMB,DFAS	12/2013	
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (DDRS-AFS, DDRS-B, GAFS-R, GAFS-BQ, ABBS, AFM, ILS-S, CCARS, JOCAS II, IPAC, FAS/FES, IWIMS)	SAF/FMP, DFAS	12/2012	12/2013

Explanation for the Changed Assertion Milestone

Reimbursable Budget Authority	
Original Milestone Date	12/2012
Reason(s) Milestone Was Changed	As a direct result of testing, major gaps were identified in the reimbursements end-to-end process. Gaps identified are: Anticipated Reimbursements, Apportioned Authority, and the inability to correctly associate execution to accepted orders by customer and order. This gap prevents the Air Force from supporting revenue earned at the appropriation level and down to customer/order.
Revised Milestone Date	12/2013
Actions to Ensure Milestone Will Be Met	Reimbursable Budget Authority and Reimbursable Work Order assessable units were combined to ensure a complete end to end process.
Impact on Achieving Full Auditability by 2017	None



Net Outlays (Funds at Treasury)

Strategy Summary

- IPA validated FBWT Reconciliation assertion in 10/2011.
- Partnered with DFAS, which performs most processes and controls for Net Outlays. Work products will be coordinated and vetted with DFAS SMEs. Analysis of process flows and controls revealed more work is needed to identify all processes, controls, and roles and responsibilities. Milestones have been adjusted.
- Reconcile detailed transactions (including journal vouchers) within the accounting system (GAFS-R/BQ) to the GAFS R Trial Balance. Reconcile the GAFS-R Trial Balance to the financial statements created by the reporting systems (DDRS B/AFS).
- Coordinate with other assessable units to identify dependencies and address gaps. (e.g., Contracts Team ensures assets and services are received and recorded. Net Outlays Team ensures those assets and services are paid timely).
- Leverage DFAS Military Pay SSAE 16 process flows, testing, and corrective actions for controls reliance. Identify controls not covered and implement other assessment procedures.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	10/2012	11/2012
Process Documentation	05/2012	11/2012
Test Plans	06/2012	11/2012
Conduct Control Testing	08/2012	11/2012
Conduct Balance Testing	08/2012	11/2012
Implement Corrective Actions	09/2013	
Validate Corrective Actions	09/2013	
Assertion	12/2013	

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Disbursements and collections are reported timely.	DFAS	11/2013
Disbursements and collections are valid and reported accurately.	DFAS	11/2013
Treasury accounts are reconciled timely.	DFAS	11/2013
Reconciliations, including general ledger and disbursing system data, are accurate.	DFAS	11/2013
Reconciling items are identified timely.	DFAS	11/2013
Reconciling items are valid and resolved accurately.	DFAS	11/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (DDRS-AFS, DDRS-B, GAFS-R, GAFS-BQ, ADS, CDS, DCAS, DCMS, DCPS, DJMS-AC, DJMS-RC, DTS, IAPS, JOCAS II, MOCAS, RTS, MAFR, DEAMS)	SAF/FM, DFAS	11/2013



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Contracts (Major)

Strategy Summary

- Focused on the large dollar procurements in the Mechanization of Contract Administration Service (MOCAS) system.
- Partnered with DFAS and AF Acquisition Community to develop process narratives and flowcharts, validate quantitative drill down analysis, prioritize sub-assessable units, and develop testing plans. Further work was identified to ensure all processes, controls, and roles and responsibilities were identified. The milestone dates were adjusted to reflect this discovery.
- Conduct internal control and transaction balance testing, and evaluate the supporting documentation for transactions. Develop corrective actions and implement changes.
- Leverage DFAS Military Pay SSAE 16 process flows, testing, and corrective actions for controls reliance. Identify controls not covered and implement other assessment procedures.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	10/2012	03/2013
Process Documentation	✓	✓
Test Plans	07/2012	02/2013
Conduct Control Testing	08/2012	02/2013
Conduct Balance Testing	08/2012	02/2013
Implement Corrective Actions	07/2013	
Validate Corrective Actions	07/2013	
Assertion	12/2013	

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Obligations are recorded timely.	SAF/AQ, SAF/FM, DFAS	11/2013
Obligations are valid and recorded accurately.	SAF/AQ, SAF/FM, DFAS	11/2013
Accruals and/or payables are recorded timely.	DFAS	11/2013
Accruals and/or payables are valid and recorded accurately.	DFAS	11/2013
Disbursements are recorded timely.	DFAS	11/2013
Disbursements are valid and recorded accurately.	DFAS	11/2013
Stale or invalid obligations and accruals are removed.	SAF/FM, DFAS, DLA	11/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (DDRS-AFS, DDRS-B, GAFS-R, GAFS-BQ, ABSS, ACPS, ConWrite, SPS, EDA, EDM, WAWF, MOCAS)	SAF/AQ, SAF/FM, DFAS, DISA, DLA	11/2013



Contracts (Minor)

Strategy Summary

- Focused on the procurement transactions that flow through the Integrated Accounts Payable System.
- Partnered with DFAS and AF Acquisition Community to develop process narratives and flowcharts, validate quantitative drill down analysis, prioritize sub-assessable units, and develop testing plans. As a result of analysis of the process flows and controls, further work was identified and needed to ensure all processes, controls, and roles and responsibilities were identified. The milestone dates were adjusted to reflect this discovery.
- Conduct internal control and transaction balance testing, and evaluate supporting documentation to support transactions. Develop corrective actions and implement changes, as needed.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	10/2012	12/2012
Process Documentation	07/2012	12/2012
Test Plans	10/2012	12/2012
Conduct Control Testing	10/2012	03/2013
Conduct Balance Testing	10/2012	03/2013
Implement Corrective Actions	05/2013	
Validate Corrective Actions	05/2013	
Assertion	08/2013	

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Obligations are recorded timely.	SAF/AQ, SAF/FM,DFAS	07/2013
Obligations are valid and recorded accurately.	SAF/AQ, SAF/FM,DFAS	07/2013
Accruals and/or payables are recorded timely	DFAS	07/2013
Accruals and/or payables are valid and recorded accurately.	DFAS	07/2013
Disbursements are recorded timely.	DFAS	11/2013
Disbursements are valid and recorded accurately.	DFAS	11/2013
Stale or invalid obligations and accruals are removed.	SAF/FM,DFAS	07/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (DDRS-AFS, DDRS-B, GAFS-R, GAFS-BQ, ABSS, CMOS, CWA, CDS, CEFT, DAAS, DCMS, DIFMS, DPS, DTS, EDM, FIABS, IAPS, ILS-S, SMAS, SPS, WAWF)	SAF/AQ, SAF/FM, DFAS, DISA, DLA	07/2013



Supply Requisition (MILSTRIP)

Strategy Summary

- Analysis of quantitative drill down raised questions on the scope of MILSTRIP. Conducting further data analysis to ensure MILSTRIP scope is properly defined. Milestones were adjusted to allow additional time to complete this work.
- Document process narratives and flowcharts.
- Develop testing plans.
- Test internal controls, transaction balances, and document results.
- Develop corrective actions and implement changes.
- Retest, as necessary.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	10/2012	03/2013
Process Documentation	07/2012	03/2013
Test Plans	10/2012	03/2013
Conduct Control Testing	10/2012	03/2013
Conduct Balance Testing	10/2012	03/2013
Implement Corrective Actions	04/2013	
Validate Corrective Actions	05/2013	
Assertion	07/2013	

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Obligations are recorded timely.	SAF/AQ, SAF/FM,DFAS	06/2013
Obligations are valid and recorded accurately.	SAF/AQ, SAF/FM,DFAS	06/2013
Receipt and payables are recorded timely.	DFAS	06/2013
Receipt and payables are valid and recorded accurately.	DFAS	06/2013
Disbursements are recorded timely.	DFAS	11/2013
Disbursements are valid and recorded accurately.	DFAS	11/2013
Stale or invalid obligations and accruals are removed.	SAF/FM,DFAS	06/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (DDRS-AFS, DDRS-B, GAFS-R, GAFS-BQ, FES, FMD, EBS, EEBP, DLA Energy)	SAF/AQ, SAF/FM,DFAS, DISA, DLA	06/2013



Financial Reporting

Strategy Summary

- Design and implement reconciliations between source systems, imports, journal vouchers, and reporting systems to ensure completeness of financial information.
- Quantitative Drill Down (QDD) team examining ability to trace lines on SBR through the general ledger to source system and, subsequently, to individual transactions.
- Plan testing strategy according to the results of the QDD and Self-Identified Issues or Deficiencies (SIID).
- Develop and implement SIID corrective actions.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	03/2013
Process Documentation	✓
Test Plans	02/2013
Conduct Control Testing	02/2013
Conduct Balance Testing	02/2013
Implement Corrective Actions	08/2013
Validate Corrective Actions	11/2013
Assertion	12/2013

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Trial balances (or equivalents) are produced timely.	DFAS	11/2013
Trial balances (or equivalents) are valid and accurate.	DFAS	11/2013
Trial balances (or equivalents) are loaded into DDRS-B timely.	DFAS	11/2013
Trial balances (or equivalents) are completely and accurately loaded into DDRS-B.	DFAS	11/2013
Trial balance data in DDRS-B are loaded into DDRS-AFS timely.	DFAS	11/2013
Trial balance data are completely and accurately loaded from DDRS-B into DDRS-AFS.	DFAS	11/2013
Adjustments recorded in DDRS-B and DDRS-AFS are recorded timely.	DFAS	11/2013
Adjustments recorded in DDRS-B and DDRS-AFS are valid and accurate.	DFAS	11/2013
SBR related footnotes and accompanying information is completed timely.	SAF/FM, DFAS	11/2013
SBR related footnotes and accompanying information is valid and accurate.	SAF/FM, DFAS	11/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (DDRS-AFS, DDRS-B, GAFS-R, GAFS-BQ, FACTS II, CEDMS)	DFAS/DLA	11/2013



Space Based Infrared System (SBIRS) Acquisition Program

Overview

- Demonstrate the ability to account for the funding provided to the program for FY 2008, FY 2009, and FY 2010, and perform a statistical sample of in-scope transactions to validate existence of supporting documentation.
- Testing did not identify audit readiness issues; therefore, corrective actions were not needed. Assertion was accelerated two months to 07/2012. Currently under IPA review.

Financial Improvement Impact

- Air Force gains a quick look into potential supporting documentation issues involving obligations and expenditures transactions in major acquisition contracts.
- Demonstrates the ability to account for and track funding for a major acquisition program.
- Validates Air Force has supporting documentation associated with the financial transactions of a major acquisition program.
- Demonstrates the process for obtaining supporting documentation for testing is repeatable.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Conduct Balance Testing	✓
Implement Corrective Actions	✓
Validate Corrective Actions	✓
Assertion	✓

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	As Planned
Obligations are recorded in the correct period and within 10 days of award	✓
Obligations are recorded accurately and are valid	✓
Accruals and/or payables are recorded in the correct period and within 10 days of receipt	✓
Accruals and/or payables are valid and recorded accurately	✓
Disbursements are recorded in the correct period and within 10 days of payment	✓
Disbursements are valid and recorded accurately	✓
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year	✓
Material systems achieve the relevant FISCAM IT general and application-level control objectives	✓



EXISTENCE AND COMPLETENESS OF ASSETS (WAVE 3)

The Air Force continues to execute its plan to assert existence and completeness of mission critical assets with a renewed focus on the validation of physical inventories, as well as the documentation for physical inventories performed and associated recordkeeping requirements. The Air Force relied heavily on the work completed by the Air Force Audit Agency (AFAA) to align existence and completeness assertions to a single Accountable Property System of Record (APSR). This strategy complies with Wave 3 existence and completeness audit readiness requirements while reducing the scope of existence and completeness audits to focus on all assets captured within one system.



The DoD OIG issued an unqualified examination opinion on the existence and completeness audit readiness assertion for military equipment, aerial target/drones, and cruise missiles valued at

approximately \$86 billion and representing 41 and 14 percent of Air Force and DoD mission critical assets, respectively.

In October 2012, the Air Force submitted an audit readiness assertion for the existence and completeness for medical equipment, representing continued Wave 3 progress. In addition, the Air Force currently has an ongoing examination by the DoD OIG on the existence and completeness of Spare Engines and Uninstalled Missile Motors and expects the audit for these areas to conclude in November 2012.

The successful execution of the Air Force strategy for Wave 3 existence and completeness audit readiness, as well as other audit readiness initiatives, requires close coordination with functional staff throughout all Air Force Commands. To ensure the Air Force meets these goals, Senior Officials in Charge from the functional communities were assigned to each mission critical asset category, and audit readiness assertions were included in their performance goals. Additionally, for existence and completeness audit readiness, the Air Force is dependent on four service providers:

- U.S. Army Corps of Engineers and the Naval Facilities Engineering Command execute military construction activities for the Air Force (approximately 95 percent of all military construction projects).
- Defense Logistics Agency stores and manages inventory and supplies for the Air Force.
- Army serves as the Single Manager for Conventional Ammunition and has DoD-wide acquisition and production responsibilities for conventional munitions.

The Air Force is a member of the OUSD(C) Service Provider Working Group and is actively working with its service providers to ensure the Air Force will meet its milestones and audit readiness goals established for existence and completeness of mission critical assets.



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Existence and Completeness Assessable Units

Figure V-4 provides the Air Force audit readiness plans for the existence and completeness assessable units and changes from the baseline established in the November 2010 FIAR Plan Status Report or from when first reported. The existence and completeness assessable units are:

- Military Equipment
- General Equipment
- Real Property
- OM&S (Cruise Missiles)
- OM&S (Aerial Targets/Drones)
- OM&S (Spare Engines)
- OM&S (Uninstalled Missile Motors)
- OM&S (Munitions)
- OM&S (Spares Air Force Managed)
- OM&S (Spares Contractor Managed and Contractor Possessed)
- OM&S (Spares Contractor Managed and Air Force Possessed)
- Inventory
- Government Furnished Equipment

Assessable Unit Progress and Plan Charts

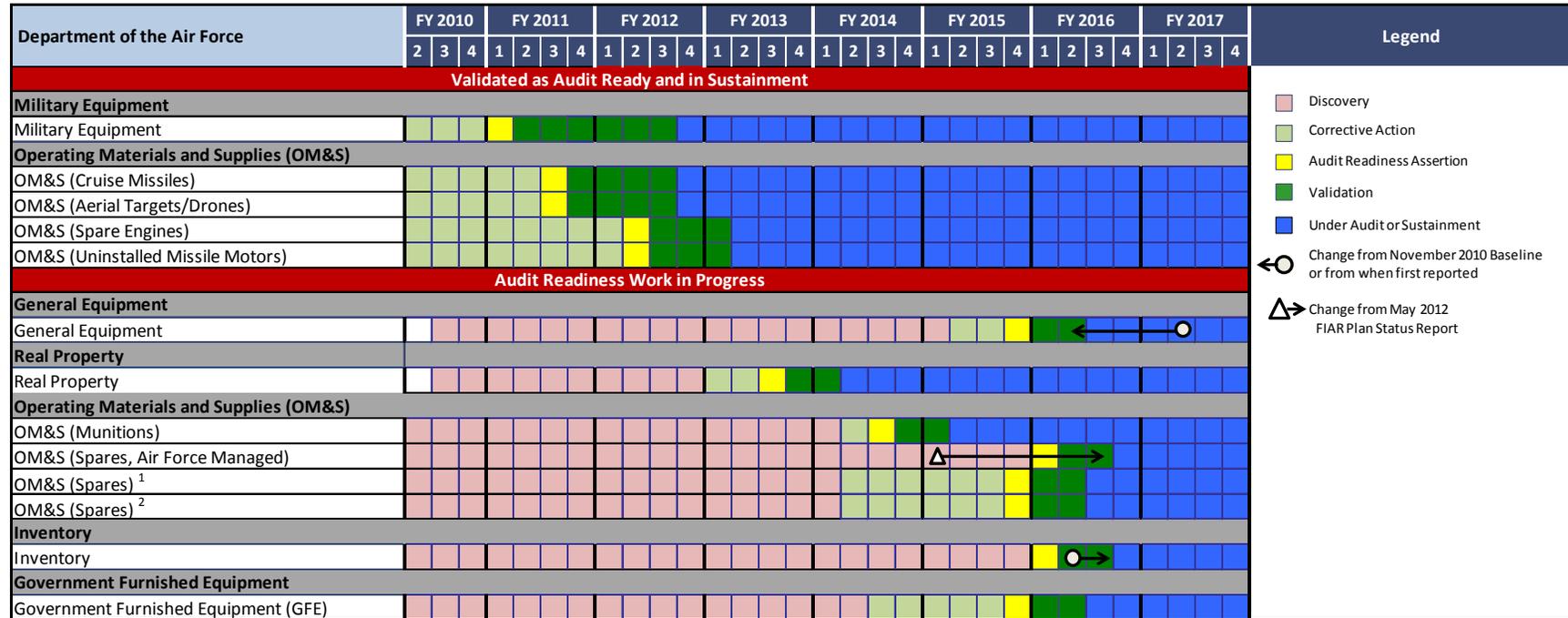
Following Figure V-4 are existence and completeness assessable unit progress and plan charts. There is one chart for each assessable unit being worked by the Air Force to achieve existence and completeness for the mission critical asset priority. The charts provide the Air Force strategy to achieve audit readiness, a milestone section identifying the dates for completing the FIAR phases, and the dates audit readiness outcomes will be completed, as well as the accountable entities.



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Figure V-4. Air Force Existence and Completeness Audit Readiness Plans



1 OM&S (Spares, Contractor Managed and Contractor Possessed)
 2 OM&S (Spares, Contractor Managed and Air Force Possessed)



Military Equipment

Strategy Summary

- Asserted 10/2010, and in 06/2012, DoD OIG issued an unqualified opinion on their existence and completeness examination.
- Sustain reconciliation process with DFAS to ensure transactions and property recorded in the APSR are accurately and timely posted to the general ledger.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Implement Corrective Actions	✓
Validate Corrective Actions	✓
Assertion	✓

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LX, DFAS	✓
Military equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LX, DFAS	✓
Military equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LX, DFAS	✓
Military equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LX, DFAS	✓
Changes to military equipment (condition, location) are recorded in the APSR timely.	AF/A4LX	✓
Changes to military equipment (condition, location) are recorded accurately in the APSR.	AF/A4LX	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	AF/A4LX	✓
Military equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LX, DFAS	✓



General Equipment

Strategy Summary

- Complete and execute corrective action plans for known deficiencies and weaknesses.
- Identify mitigating controls and substantive procedures to support assertion in absence of implemented corrective action plans.
- Conduct 100 percent equipment accountability inventory across Air Force to capture accurate baseline in Discovery phase.
- Develop process maps for Air Force Equipment Management System and Standard Base Supply System interfaces.
- Develop a reconciliation process with DFAS to ensure transactions and property recorded in the APSR are accurately and timely posted to the general ledger.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	12/2013	10/2014
Process Documentation	05/2013	09/2013
Test Plans	08/2013	03/2014
Conduct Control Testing	12/2013	07/2014
Implement Corrective Actions	03/2015	02/2015
Validate Corrective Actions	07/2015	09/2015
Assertion	09/2015	

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
General equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LE, DFAS	07/2015
General equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LE, DFAS	07/2015
General equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LE, DFAS	07/2015
General equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LE, DFAS	07/2015
Changes to general equipment (condition, location) are recorded in the APSR timely.	AF/A4LE	09/2015
Changes to general equipment (condition, location) are recorded accurately in the ASPR.	AF/A4LE	09/2015
Material systems achieve relevant FISCAM IT general and application-level general control objectives.	AF/A4I	09/2015
General equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LE, DFAS	07/2015



Real Property

Strategy Summary

- Assess risks and controls for material life-cycle processes (acquisition, physical inventory, and disposal) and document supporting documentation and retention requirements.
- Execute test plans to select random samples and execute test of key internal controls and supporting documentation.
- Sustain reconciliation process with DFAS to ensure transactions and property recorded in the APSR are accurately and timely posted to the general ledger.
- Execute testing of material life-cycle processes and define, implement, and monitor corrective action plans for known deficiencies and weaknesses, and retest upon completion.
- Develop and execute corrective actions from first round of testing.
- Ensure future IT system effectively supports assertion and accountability requirements.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Implement Corrective Actions	01/2013
Validate Corrective Actions	04/2013
Assertion	06/2013

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Construction in progress (CIP) is recorded the general ledger timely.	HAF/A7C	06/2013
CIP is recorded accurately in the general ledger.	HAF/A7C	06/2013
Completed CIP, other acquisitions, and transfers-in are recorded in the APSR and general ledger timely.	HAF/A7C	06/2013
Completed CIP, other acquisition, and transfers-in are recorded accurately in the APSR and general ledger.	HAF/A7C	06/2013
Real property disposals and transfers-out are recorded in the APSR and general ledger timely.	HAF/A7C	06/2013
Real property disposals and transfers-out are recorded accurately in the APSR and general ledger.	HAF/A7C	06/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (ACES-RP, CFEMS, iNFADS, GFEBs, IWIMS)	HAF/A7C	06/2013



OM&S (Cruise Missiles)

Strategy Summary

- Asserted in 06/2011, and in 06/2012, DoD OIG issued an unqualified opinion on its existence and completeness examination.
- Sustain reconciliation process with DFAS to ensure transactions and property recorded in the APSR are accurately and timely posted to the general ledger.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Implement Corrective Actions	✓
Validate Corrective Actions	✓
Assertion	✓

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4L, DFAS	✓
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4L, DFAS	✓
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4L, DFAS	✓
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4L, DFAS	✓
Changes to OM&S (condition, location) are recorded in the APSR timely.	AF/A4L	✓
Changes to OM&S (condition, location) are recorded accurately in the ASPR.	AF/A4L	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (REMIS)	AF/A4L	✓



OM&S (Aerial Targets/Drones)

Strategy Summary

- Asserted in 06/2011, and in 06/2012, DoD OIG issued an unqualified opinion on its existence and completeness examination.
- Sustain reconciliation process with DFAS to ensure transactions and property recorded in the APSR are accurately and timely posted to the general ledger.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Implement Corrective Actions	✓
Validate Corrective Actions	✓
Assertion	✓

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4L, DFAS	✓
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4L, DFAS	✓
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4L, DFAS	✓
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4L, DFAS	✓
Changes to OM&S (condition, location) are recorded in the APSR timely.	AF/A4L	✓
Changes to OM&S (condition, location) are recorded accurately in the ASPR.	AF/A4L	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (REMIS)	AF/A4L	✓



OM&S (Spare Engines)

Strategy Summary

- Assertion completed in 03/2012.
- DoD OIG examination began in 07/2012 and results are expected in 11/2012.
- Develop a reconciliation process with DFAS to ensure transactions and property recorded in the APSR are accurately and timely posted to the general ledger.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Implement Corrective Actions	✓
Validate Corrective Actions	✓
Assertion	✓

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4L, DFAS	✓
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4L, DFAS	✓
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4L, DFAS	✓
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4L, DFAS	✓
Changes to OM&S (condition, location) are recorded in the APSR timely.	AF/A4L	✓
Changes to OM&S (condition, location) are recorded accurately in the ASPR.	AF/A4L	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (CEMS)	AF/A4L	✓



OM&S (Uninstalled Missile Motors)

Strategy Summary

- Assertion completed in 03/2012.
- DoD OIG examination began in 07/2012 and results are expected in 11/2012.
- Develop a reconciliation process with DFAS to ensure transactions and property recorded in the APSR are accurately and timely posted to the general ledger.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	✓
Process Documentation	✓
Test Plans	✓
Conduct Control Testing	✓
Implement Corrective Actions	✓
Validate Corrective Actions	✓
Assertion	✓

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4L, DFAS	✓
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4L, DFAS	✓
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4L, DFAS	✓
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4L, DFAS	✓
Changes to OM&S (condition, location) are recorded in the APSR timely.	AF/A4L	✓
Changes to OM&S (condition, location) are recorded accurately in the ASPR.	AF/A4L	✓
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (IMDB)	AF/A4L	✓



OM&S (Munitions)

Strategy Summary

- Develop draft process flow for Perform Inventory Management and Maintenance and Repair sub-process.
- Map key risks, control objectives, and supporting documents to the process flows.
- Develop APSR interfaces with U.S. Army depot and contractor service provider APSRs.
- Develop a reconciliation process with DFAS to ensure transactions and property recorded in the APSR are accurately and timely posted to the general ledger.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	12/2013
Process Documentation	06/2012
Test Plans	11/2012
Conduct Control Testing	12/2013
Implement Corrective Actions	02/2014
Validate Corrective Actions	03/2014
Assertion	06/2014

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	US Army, SAF/AQ, DFAS, AF/A4LW	03/2014
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	US Army, SAF/AQ, DFAS, AF/A4LW	03/2014
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	US Army, AF/A4LW, DFAS	03/2014
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	US Army, AF/A4LW, DFAS	03/2014
Changes to OM&S (condition, location) are recorded in the APSR timely.	AF/A4LW	12/2013
Changes to OM&S (condition, location) are recorded accurately in the ASPR.	AF/A4LW	12/2013
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (CAS, LMP)	AF/A4IS	12/2013



OM&S (Spares, Air Force Managed)

Strategy Summary

- Discovery for OM&S Spares (Air Force Managed) is dependent on its service provider DLA. Work is scheduled to begin in FY 2013. Interim dates have been adjusted as a result of initial discovery work.
- Leverage lessons learned from past assertions and audits to ensure milestones are completed on time or ahead of schedule.
- An MOA between the AF and DLA was signed in 06/2012, that defined the mutual support required by the DLA and AF in support of audit readiness and sustainment efforts for AF-owned inventory, including OM&S Spares AFM, stored at DLA facilities.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned	Revised
Discovery	12/2013	07/2015
Process Documentation	06/2013	05/2015
Test Plans	08/2013	06/2015
Conduct Control Testing	12/2013	07/2015
Implement Corrective Actions	03/2014	08/2015
Validate Corrective Actions	05/2014	09/2015
Assertion	06/2014	12/2015

Note: The table on the following page provides an explanation for the change in assertion date.

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AFMC/A4, DLA	09/2015
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AFMC/A4, DLA	09/2015
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AFMC/A4, DLA	09/2015
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AFMC/A4, DLA	09/2015
Changes to OM&S (condition, location) are recorded in the APSR timely.	AFMC/A4, DLA	09/2015
Changes to OM&S (condition, location) are recorded accurately in the ASPR.	AFMC/A4, DLA	09/2015
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (ADIS, SCS, DSS, ILS-S.)	AFMC/A4, DLA	09/2015



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Explanation for the Changed Assertion Milestone

OM&S (Spares, Air Force Managed)	
Original Milestone Date	06/2014
Reason(s) Milestone Was Changed	Initial analysis revealed that the OM&S Spares have a dependency on DLA as a service provider. Date adjusted to align to service provider date.
Revised Milestone Date	12/2015
Actions to Ensure Milestone Will Be Met	Will work with DLA, as the service provider, and determine if there are opportunities to accelerate their date.
Impact on Achieving Full Auditability by 2017	None



OM&S (Spares, Contractor Managed and Contractor Possessed)

Strategy Summary

- Work with OUSD(C) to determine FIAR requirements for contractor-managed property arrangements (e.g., Contractor-Supported Weapon Systems and Contractor Logistics Support).
- Ensure FIAR requirements are included in contract language.
- Develop interfaces between contractors' property systems and government systems to ensure property and transactions are captured at the appropriate level of detail.
- Develop a reconciliation process with DFAS to ensure assets and transactions in the APSR are recorded timely and accurately in the general ledger.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	12/2013
Process Documentation	05/2013
Test Plans	08/2013
Conduct Control Testing	12/2013
Implement Corrective Actions	03/2015
Validate Corrective Actions	07/2015
Assertion	09/2015

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LM, DFAS	07/2015
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LM, DFAS	07/2015
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LM, DFAS	07/2015
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LM, DFAS	07/2015
Changes to OM&S (condition, location) are recorded in the APSR timely.	AF/A4LM	07/2015
Changes to OM&S (condition, location) are recorded accurately in the ASPR.	AF/A4LM	07/2015
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (ILS-S)	AF/A4I	07/2015



OM&S (Spares, Contractor Managed and Air Force Possessed)

Strategy Summary

- Work with OUSD(C) to determine FIAR requirements for contractor-managed property contracts (e.g., Contractor-Supported Weapon Systems and Contractor Logistics Support).
- Ensure FIAR requirements are included in contract language.
- Develop interfaces between contractors' property systems and government systems to ensure property and transactions are captured at the appropriate level of detail.
- Develop a reconciliation process with DFAS to ensure assets and transactions in the APSR are recorded timely and accurately in the general ledger.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	12/2013
Process Documentation	05/2013
Test Plans	08/2013
Conduct Control Testing	12/2013
Implement Corrective Actions	03/2015
Validate Corrective Actions	07/2015
Assertion	09/2015

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
OM&S acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LM, DFAS	07/2015
OM&S acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LM, DFAS	07/2015
OM&S disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LM, DFAS	07/2015
OM&S disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LM, DFAS	07/2015
Changes to OM&S (condition, location) are recorded in the APSR timely.	AF/A4LM	07/2015
Changes to OM&S (condition, location) are recorded accurately in the ASPR.	AF/A4LM	07/2015
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (ILS-S)	AF/A4I	07/2015



Inventory

Strategy Summary

- The existence and completeness assertion work for the Working Capital Fund inventory has been divided into five sub-assessable units: Base-Managed, Medical/Dental, Contractor-Held, In-Transit, and DLA-Managed. AF Inventory housed at a DLA facility creates a service provider relationship.
- Will assert existence and completeness for each of the five sub-assessable units separately.
- The assertion date for the Base-Managed inventory is 03/2013, and assertion date for the Medical/Dental inventory is 09/2013.
- The assertion date for DLA-Managed Inventory, Contractor-held Inventory, and In-transit Inventory is 12/2015.
- AF and DLA MOA was signed in 06/2012, that defines the mutual support required by the DLA and AF in support of audit readiness and sustainment efforts for AF-owned inventory, including OM&S Spares AFM, stored at DLA facilities.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	07/2015
Process Documentation	05/2015
Test Plans	06/2015
Conduct Control Testing	07/2015
Implement Corrective Actions	08/2015
Validate Corrective Actions	09/2015
Assertion	12/2015

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
Inventory acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AFMC/A4	09/2015
Inventory acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AFMC/A4	09/2015
Inventory disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AFMC/A4	09/2015
Inventory disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AFMC/A4	09/2015
Changes to inventory (condition, location) are recorded in the APSR timely	AFMC/A4	09/2015
Changes to inventory (condition, location) are recorded accurately in the ASPR.	AFMC/A4	09/2015
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (ADIS, SCS, DSS, ILS-S.)	AFMC/A4	09/2015



Department of the Air Force



Government Furnished Equipment (GFE)

Strategy Summary

- Execute a GFE data call to establish a baseline within the Air Force Equipment Management System (AFEMS).
- Revise policy for providing GFE (includes both equipment and materiel) to contractors to ensure accountability is sustained.
- Develop reconciliation process between loan records in Air Force property systems, the Item Unique Identification (IUID) Registry, and contract attachments listing authorized GFE.
- Develop a reconciliation process with DFAS to ensure assets and transactions in the APSR are recorded timely and accurately in the general ledger.

Completion Dates for Milestones (✓ = Completed)

FIAR Phases	As Planned
Discovery	03/2014
Process Documentation	08/2013
Test Plans	03/2014
Conduct Control Testing	03/2014
Implement Corrective Actions	03/2014
Validate Corrective Actions	03/2015
Assertion	09/2015

Accountable Entities and Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	Accountable Entity	As Planned
General equipment acquisitions are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LM, DFAS	09/2015
General equipment acquisitions are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LM, DFAS	09/2015
General equipment disposals are recorded in the APSR and general ledger (or DDRS-AFS) timely.	AF/A4LM, DFAS	09/2015
General equipment disposals are recorded accurately in the APSR and general ledger (or DDRS-AFS).	AF/A4LM, DFAS	09/2015
Changes to general equipment (condition, location) are recorded in the APSR timely.	AF/A4LM	09/2015
Changes to general equipment (condition, location) are recorded accurately in the ASPR.	AF/A4LM	09/2015
Material systems achieve relevant FISCAM IT general and application-level general control objectives. (AFEMS, SCS)	AF/A4I	09/2015



AIR FORCE FIAR RESOURCES

The amount of resources applied to FIAR continues to evolve as the Air Force executes its FIP, evaluates financial and business operations and systems, and engages the functional community. The Air Force FIAR funding categories are:

- Audit Readiness
- Audit/Validation
- Financial Systems

The amount of resources also is impacted by evaluation, testing, and corrective actions to achieve an audit ready systems environment outside the ERPs. Figure V-5 shows the amounts for each area.

Audit Readiness includes the resources for Air Force and its service providers (e.g., DFAS) for evaluation, discovery, and corrective actions to include documenting and modifying processes and controls, identifying internal control deficiencies through testing and remediation of deficiencies, and evaluating transaction-level evidential matter and ensuring that it is readily available. Also included are

resources for testing or verification of audit readiness after completing corrective actions and preparation of management assertion packages.

Validations and Audits includes the resources for validations, examinations, and financial statement audits conducted by an IPA firm.

The Air Force Audit Agency (AFAA) also is dedicating significant resources to directly support the Air Force FIAR plan and is auditing several SBR assessable units, identifying weaknesses, and developing recommendations to be incorporated in corrective action plans.

Financial Systems includes the resources for designing and achieving an audit ready systems environment, but does not include ERP deployment costs. It also includes the resources to modify legacy systems that will be part of the audit ready systems environment. Financial System resources include: design, development, deployment, interfaces, data conversion and cleansing, system independent verification and validation and testing, implementation of controls and control testing, and system and process documentation. Cost information for ERPs is provided in Section VIII.

Figure V-5. Air Force Audit Readiness Resources (\$ in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Audit Readiness	\$ 51	\$ 80	\$ 111	\$ 43	\$ 37	\$ 43	\$ 44
<i>Process Review and Remediation</i>	31	59	91	28	22	28	29
<i>DFAS Audit Readiness Support</i>	11	12	11	6	6	6	6
<i>Internal Audit Cost</i>	9	9	9	9	9	9	9
Validations and Audits	\$ 1	\$ 2	\$ 2	\$ 31	\$ 31	\$ 31	\$ 31
Financial Systems	\$ 65	\$ 82	\$ 63	\$ 60	\$ 58	\$ 51	\$ 15
Total Resources	\$ 117	\$ 164	\$ 176	\$ 134	\$ 126	\$ 125	\$ 90



Department of the Air Force



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Other Defense Organizations

VI. Other Defense Organizations Audit Readiness Plans

This section of the Report provides the status and plans of the other Defense organizations (ODOs). For purposes of the FIAR Plan, the ODOs include:

- U.S. Special Operations Command
- U.S. Transportation Command
- Defense Agencies
- Intelligence Community Defense Agencies
- DoD Field Activities
- Chemical Biological Defense Program
- Military Retirement Fund
- Medicare-Eligible Retiree Health Care Fund
- Other organizations and accounts that receive DoD appropriated funds

All of the ODOs are working to achieve audit readiness consistent with Secretary Panetta's direction, except the Intelligence Community (IC) Defense Agencies. The IC Agencies are following the audit readiness strategy of the Office of Director of National Intelligence (ODNI) and are preparing their financial statements for audit in FY 2014 with the goal of obtaining an unqualified audit opinion in FY 2016. The IC Agencies audit strategy incorporates the DoD FIAR priorities (e.g., Statement of Budgetary Resources).

Not all of the ODOs prepare annual financial statements. For example, Treasury Index 97 (TI 97) Environmental Restoration funds are specifically described in the law as funds that can be executed only by transferring them out of its unique Treasury

Account Fund Symbol to other Defense Agencies or Military Departments for execution. Any balance not transferred is not reported individually, but is included in the DoD Combined SBR Financial Statement.

ODO AUDIT OPINIONS

Several of the ODOs that prepare annual financial statements have unqualified audit opinions, including:

- Defense Contract Audit Agency
- Defense Commissary Agency
- Defense Finance and Accounting Service
- TRICARE Management Activity – Contract Resource Management
- Military Retirement Fund

The Defense Information Systems Agency – Working Capital Fund, Office of the Inspector General, and Medicare-Eligible Retiree Health Care Fund (MERHCF) have qualified opinions on their financial statements.

The ODOs that have not received opinions on their financial statements or on their financial information reported in the DoD Combined SBR Financial Statement have revised their Financial Improvement Plans in accordance with the DoD FIAR Guidance and are working to achieve audit readiness of the General Fund Statement of Budgetary Resources in FY 2014.

The ODO milestones for achieving the FIAR priorities are presented in Figure VI-2 (see page VI-4). This figure also identifies changes to milestones since the November 2010 FIAR Plan Status Report or from when first reported.



Other Defense Organizations

FIAR Oversight

The majority of the ODOs report to an Office of Secretary of Defense Principal Staff Assistant (PSA). The PSA ensures their respective ODOs are effectively and timely working to achieve the FIAR goals and priorities, including achieving SBR audit readiness in FY 2014, as well as following the DoD FIAR Guidance. Figure VI-1 identifies the PSAs and their respective ODOs that have not yet asserted SBR audit readiness.

Figure VI-1. PSAs and ODOs

PSA	Other Defense Organizations
USD(AT&L)	Chemical Biological Defense Program
	Defense Advanced Research Projects Agency
	Defense Contract Management Agency
	Defense Logistics Agency
	Defense Technical Information Center
	Defense Threat Reduction Agency
Missile Defense Agency	
USD(P)	Defense Security Cooperation Agency
USD(P&R)	DoD Education Activity
	Service Medical Activity
	TRICARE Management Activity – Financial Operations Division

AUDIT READY SBR (WAVE 1 & WAVE 2)

To comply with the Secretary’s direction to achieve SBR audit readiness for General Funds by the end of FY 2014, the ODOs that are not yet audit ready expanded their review of Internal Controls

over Financial Reporting (ICOFR) to achieve audit readiness over budgetary information first. These ODOs are evaluating and documenting the processes, controls, and systems that affect the SBR.

Using an expanded scope of ICOFR documentation and audit remediation work, several ODOs asserted audit readiness for Appropriations Received (Wave 1) in FY 2011. The remainder of the ODOs asserted audit readiness for Appropriations Received in FY 2012. These assertions were based on the processes supported by the Program Budget Allocation System (PBAS) and legacy financial systems.

Audit readiness for Wave 2, SBR, is dependent on the ODOs’ ability to overcome the significant challenges briefly described below.

Complex Business, Accounting Transactions, and Reporting Structure

The ODOs’ greatest challenge is the structure of financial reporting, which is not aligned with their business process structure. For example, Congress does not appropriate funds to the individual Defense Agencies. Consequently, the U.S. Treasury does not maintain fund balances for each ODO, but instead combines all ODO appropriated funds in shared Treasury Account Symbols (TAS). An individual Defense Agency’s appropriated or executed funds are identified through a combination of the Treasury Account Fund Symbol (TI-97) and Limit, a structure for identifying cross-disbursed transactions. The sharing of TI-97 and related fund symbols makes the identification and verification of ODO Fund Balance with Treasury (FBWT) balances very complex and challenging.

Further, the ODOs annually allot and sub-allot a significant amount of their TI-97 funds to the Military Departments in order to gain program efficiencies. These ODO funds are then included in Military Department accounting systems, which are in the midst of transitioning to various Enterprise Resource Planning systems. System constraints for tracking subdivisions of apportioned amounts

Other Defense Organizations



(allotments, suballotments, and allocations) present another significant challenge for ODOs. The Military Departments' transition to ERPs will play an important role in resolving these issues.

Defense Agencies Initiative

The Defense Agencies Initiative (DAI) is an ERP being deployed to many of the Defense Agencies, improving their ability to achieve and sustain auditable SBR balances. The DAI, which currently is implemented for 11 agencies, will provide essential accounting functionality needed for auditability, such as audit trails from general ledgers to subsidiary ledgers and to transaction-level supporting

documentation. Those ODOs who are using or plan to use DAI have developed their FIPs consistent with the DAI implementation schedule. Additional information on DAI is provided in Section VIII of this Report.

SBR Assessable Unit Progress and Plan Charts

Assessable Unit Progress and Plan Charts for each ODO that is working to achieve SBR audit readiness in FY 2014 are included in this section. These charts provide an overview of their FIAR status, strategy to achieve audit readiness, and milestones identifying the assessable units and planned dates for completing testing and corrective actions.



Other Defense Organizations

DoD Component Level Accounts

Overview

- Continuing discovery and evaluation for DFAS processes for FBWT, Other Budgetary Activity, and Financial Reporting.
- Reconciling and validating FY 2012 Defense-Wide Appropriations to the various Defense organization financial statements, supporting documentation, and Appropriations Acts.
- Established Defense Agency Team to evaluate and improve DFAS SBR processes, including processes impacting the DoD Component Level Accounts.
- A challenge is the lack of a single Chief Financial Executive responsible for DoD Component Level Accounts.

Strategy Summary

- Support the Defense-Wide Appropriations Received and Funds Distribution examination to include DFAS processes.
- Evaluate and improve internal control process documentation related to DFAS processes for the remaining SBR assessable units impacting the DoD Component Level Accounts.
- Complete development of a FBWT transaction-level reconciliation tool for the Defense-Wide Accounts (TI-97).
- Successfully supported unallocated amounts for Appropriations Received as of Quarter 3 of FY 2012. Maintain testing in the future to support balances for unallocated amounts.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Fund Balance with Treasury	09/2013	03/2014
Financial Reporting	09/2013	03/2014
Other Budgetary Activity	07/2013	03/2014
SBR Assertion	12/2013	03/2014



Other Defense Organizations

Service Medical Activity (SMA) (Army, Navy, Air Force)

Overview

- SMA provides healthcare services to TRICARE beneficiaries world-wide and comprises the Army Medical Command, Navy Bureau of Medicine and Surgery, and Air Force Medical Service.
- Validated audit readiness for Wave 1, Appropriations Received and Funds Distribution for FY 2009 and 2010.
- Challenges include coordinating Service data conversions and data cleansing; testing and evaluating transactions from the legacy and ERP systems, and accurately mapping and reporting in consolidated financial statement; and the lack of a unique Agency Location Code (ALC) for SMA Components.

Strategy Summary

- Continued work on methodology to map data and documentation from the Military Service legacy and ERP systems to ensure a complete population universe of financial transactions and identify material assessable units.
- Completed discovery and submitted documentation for OUSD(C) review for all assessable units related to the SBR. Corrective actions are currently underway from results during testing phase.
- Currently working with DFAS and the Military Services to align assertion timelines.
- Continue efforts to leverage system testing results to further reduce the amount of substantive testing required and possibly accelerate the assertion schedule.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested	Corrected
Contract Pay	✓	03/2014
Vendor Pay	✓	03/2014
Civilian Pay	✓	03/2014
Reimbursable Work Orders – Grantor	✓	03/2014
Reimbursable Work Orders – Acceptor	✓	03/2014
Fund Balance with Treasury	✓	03/2014
Appropriations Received and Funds Distribution	✓	✓
Other Budget Authority	✓	03/2014
Financial Reporting	✓	03/2014
SBR Assertion	✓	03/2014



Other Defense Organizations

Washington Headquarters Services (WHS)

Overview

- WHS provides administrative and/or operational support to field activities, OSD, Defense Agencies, and Military Departments.
- Conducted a full reconciliation for FY 2011 Appropriations Received. Verified all organizations that receive suballotments from OUSD(C) and WHS. Identified deficiencies and began corrective actions.
- Completed substantive testing of WHS Appropriations Received, to include reconciliation of over 1,900 funding authorization documents and submitted assertion documentation to OUSD(C).
- Challenges include the need to reinforce relationships with suballotees, engage senior leaders across organizations, and update business processes.
- Supplemented resource levels by adding 11 staff members.

Strategy Summary

- Finalize the receipt of supporting documentation with funds recipients and OUSD(C) to support WHS accountability for funds provided to and executed by other organizations.
- Adopting a phased approach to assertion. Phase 1 involves asserting audit readiness over funds executed and accounted for within the WHS accounting system of record. Phase 2 applies to funds suballotted to others and accounted for outside of WHS accounting system of record.
- WHS is migrating from a legacy system to the Enterprise Business Accountability System (EBAS), an existing ERP shared with the Joint Staff. Migration allows WHS to automate many controls. WHS has fully migrated core financials to EBAS as of FY 2012 and will complete migration Quarter 1 of FY 2013.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested			Corrected		
	May 2012	Revised		May 2012	Revised	
		Phase 1	Phase 2		Phase 1	Phase 2
Contract Pay	06/2012	✓	11/2013	03/2014	06/2013	06/2014
Vendor Pay	06/2012	✓	11/2013	03/2014	06/2013	06/2014
Civilian Pay	06/2012	✓	11/2013	03/2014	06/2013	06/2014
Reimbursable Work Orders – Grantor	06/2012	✓	11/2013	03/2014	06/2013	06/2014
Reimbursable Work Orders – Acceptor	06/2012	✓	11/2013	03/2014	06/2013	06/2014
Appropriations Received	✓	✓	✓	06/2012	✓	✓
SBR Assertion	06/2012	06/2012	11/2013	03/2014	06/2013	06/2014



Other Defense Organizations

U.S. Special Operations Command (USSOCOM)

Overview

- USSOCOM provides fully capable Special Operations Forces to defend the United States and its interests.
- Analyzing test results, and thus far, completed testing indicates issues with lack of authorizing documents and document retention.
- USSOCOM owns no IT systems and relies on other DoD entities to provide assurance over the system controls.
- USSOCOM funds are currently executed in Service Components' legacy systems. As a result, FIAR work products for all SBR assessable units are completed using legacy processes.
- USSOCOM Service Components are scheduled to implement ERPs, in some cases, beyond the assertion date. Rediscovery and retesting will be required in the future ERP environments.

Strategy Summary

- Coordinate with service providers to establish and document audit readiness roles and responsibilities according to the Service Provider Working Group schedule.
- Obtain necessary system documentation from service providers including systems certification documentation.
- Corrective action plans to address findings will be prepared during the Quarter 1 of FY 2013, and will be implemented during the Quarter 2 of FY 2013.
- Consolidate data from all locations and reconcile consolidated details to financial statement totals.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested	Corrected
Contract Pay	✓	03/2014
Vendor Pay	✓	03/2014
Civilian Pay	✓	03/2014
Reimbursable Work Orders – Grantor	✓	03/2014
Reimbursable Work Orders – Acceptor	✓	03/2014
Fund Balance with Treasury	✓	03/2014
Appropriations Received	✓	✓
Financial Reporting	✓	03/2014
SBR Assertion	✓	03/2014



Other Defense Organizations

Missile Defense Agency (MDA)

Overview

- MDA is a research, development, and acquisition agency that develops, tests, and fields an integrated Ballistic Missile Defense System and works with the Combatant Commanders who rely on the system to protect the Nation, its forward deployed forces, and allies from hostile ballistic missile attack.
- Validated audit readiness on Wave 1, Appropriations Received, in 08/2012.
- Completed risk assessments, process narratives, flowcharts, and test plan design for all SBR assessable units.
- Civilian Pay reconciliation between the DAI, DCPS, and DCAS completed with no issues identified.
- MDA does not own DAI or other systems impacting audit readiness and, therefore, relies on service providers to provide process and control assurance.

Strategy Summary

- Update process documentation, including testing and documentation of risk analyses to include updates to DFAS processes and testing of DAI application and general controls.
- Testing for Contract Pay and Reimbursable Grantor and Acceptor included verification of purchase orders, invoices, receiving reports, and MIPRs. Developing policy to address verification that documents are stored in the proper location.
- Tri-annual review process is used to identify overstated and stale obligations. Developing procedures to perform a spot check of tri-annual review results and ensure all documentation is properly stored and action is being taken.
- Ensure standard reconciliation processes and other controls are in place and effective to support key supporting documentation testing and sustainment.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested	Corrected
Contract Pay	✓	03/2014
Vendor Pay	✓	03/2014
Civilian Pay	✓	03/2014
Reimbursable Work Orders – Grantor	✓	03/2014
Fund Balance with Treasury	✓	03/2014
Appropriations Received	✓	✓
Other Budget Authority	✓	03/2014
Financial Reporting	✓	03/2014
SBR Assertion	✓	03/2014

Other Defense Organizations



Defense Advanced Research Projects Agency (DARPA)

Overview

- DARPA maintains technological superiority and national security by sponsoring revolutionary, high-payoff research for military use.
- Validated audit readiness on Appropriations Received and Funds Distribution processes.
- In legacy environment, validated that Civilian Pay processes are audit ready and asserted on Reimbursable Work Orders - Acceptor, Travel Pay, and Other Budgetary Activity.
- Completed discovery in the legacy environment. However, converted to DAI in 10/2012 and beginning DAI discovery in 01/2013.
- Reengineered business processes to more effectively use DAI by updating documentation, streamlining processes, and enhancing internal controls.
- Challenges include resources, coordinating with service providers, identifying process owners, and access to information.

Strategy Summary

- Engaged an integrated team in 02/2012 that combines the experience of an IPA with the data analysis, data warehousing, systems engineering, and knowledge of an IT firm that has experience retrieving and analyzing service provider data. The goal is to maximize efficiency by reducing time previously spent accessing transaction-level detail and obtaining KSDs.
- Phased out sub-allotting funds to eliminate roadblocks to audit readiness, such as dependency on Military Service accounting processes.
- Conducting control and documentation testing in increments throughout the period of assertion for each assessable unit, allowing DARPA to assert to the effectiveness of controls throughout the entire period.



Other Defense Organizations

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested		Corrected	
	As Planned	Revised	As Planned	Revised
Appropriations Received	✓	✓	✓	✓
Other Budgetary Activity	06/2012	12/2013	09/2012	03/2014
Civilian Pay	✓	12/2013	✓	03/2014
Contract Pay	06/2012	12/2013	06/2013	03/2014
Vendor Pay	06/2012	12/2013	06/2013	03/2014
Fund Balance with Treasury	06/2012	12/2013	03/2014	
Financial Reporting	06/2012	12/2013	03/2014	
Reimbursable Work Orders – Grantor	06/2012	12/2013	06/2013	03/2014
Reimbursable Work Orders – Acceptor	✓	12/2013	✓	03/2014
Travel	✓	12/2013	06/2012	03/2014
SBR Assertion	06/2012	12/2013	03/2014	

Note: The following table provides an explanation for the changes to the Corrected milestones.

Explanation for the Changed Corrected (Assertion) Milestones

Assessable Units	Other Budgetary Activity	Civilian Pay	Contract Pay	Vendor Pay	Reimbursable Work Orders - Grantor	Reimbursable Work Orders - Acceptor	Travel
Original Milestone Dates	09/2012	Completed	06/2013	06/2013	06/2013	Complete	06/2012
Reason Milestones Were Changed	Dates were set prior to a final decision to convert to DAI.						
Revised Milestone Dates	03/2014	03/2014	03/2014	03/2014	03/2014	03/2014	03/2014
Actions to Ensure Milestones Will Be Met	DARPA is continuing efforts to assert individual units in the legacy environment. Final SBR assertion will be in the new DAI environment. This allows progress to continue during conversion and will give DARPA multiple years of audit readiness history to support beginning balances.						
Impact on Achieving Full Auditability by 2017	None. Further, none of the above changes impacts achieving the SBR assertion milestone of 03/2014.						



Other Defense Organizations

DoD Education Activity (DoDEA)

Overview

- DoDEA plans, directs, coordinates, and manages the education programs for military and DoD civilian eligible dependents.
- Based on Vendor and Civilian Pay testing, initiated corrective actions strengthening controls and standardizing time and attendance reporting and documentation, and instituting an end of reporting period vendor liability accrual process.
- Established a controlled access document retention and retrieval process, enabling effective documentation retrieval for audits.
- Automated controls for Living Quarters Allowance.
- Resolving PCS accounting, limiting outstanding travel unliquidated obligations and overaged obligations.
- Challenges include DAI implementation and coordination with service providers.

Strategy Summary

- Address significant issues and deficiencies by centralizing the management of standard operating procedures and incorporating a mandatory periodic review procedure.
- Implement and document robust review/reconciliation/monitoring steps for activities performed by service providers.
- Coordinate corrective actions to incorporate anticipated process and system changes with service providers.
- Monitor overall progress of Corrective Action phase by tracking corrective actions implemented against Summary of Aggregate Deficiencies.
- Validate controls and assess supporting documentation during the required tri-annual review process. All obligations and accruals are reviewed and adjusted as necessary, at least three times a year.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested	Corrected
Contract Pay	✓	01/2014
Vendor Pay	✓	01/2014
Civilian Pay	✓	01/2014
Reimbursable Work Orders – Grantor	✓	01/2014
Reimbursable Work Orders – Acceptor	✓	01/2014
Fund Balance with Treasury	✓	01/2014
Appropriations Received	✓	✓
Financial Reporting	✓	01/2014
SBR Assertion	✓	01/2014

Other Defense Organizations



TRICARE Management Activity – Financial Operations Division (TMA-FOD)

Overview

- TMA-FOD manages TRICARE, executes the Defense Health Program Appropriation and DoD Unified Medical Program, and supports the Uniform Services in TRICARE Program implementation.
- Corrective action plan addresses:
 - Lack of Treasury Agency Limit Code (ALC) for each medical component.
 - Consolidated GWA FBWT reconciliation at a summary level supported at a detail (medical component) level.
- Assertion moved from 09/2013 to 03/2014 due to the:
 - Complexity of partitioning data due to lack of medical component ALCs.
 - Need to complete one full year in new ERP environment.
- Continuing to work ERP implementation issues. Completed full data migration into new ERP, and corrective actions underway to resolve data conversion issues.
- Validated audit readiness for Appropriations Received and Funds Distribution for FY 2009 and FY 2010.

Strategy Summary

- The ERP, DAI, provides a reports, giving the user a drill down capability in order to provide an audit trail to financial statement line items.
- Completed discovery and submitted documentation for OUSD(C) review for all assessable units related to the SBR. Corrective actions are currently underway from results during testing phase. Deficiencies were found with FBWT, awaiting system change request to facilitate the reconciliation.
- Completed reconciliations for Treasury Appropriations, collections and disbursements for all Treasury Account Fund Symbol accounts for the current and prior years required due to beginning balance materiality, which will establish and validate the beginning balances for FBWT and all related SBR line items.

Other Defense Organizations



Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested	Corrected	
		As Planned	Revised
Contract Pay	✓	09/2013	03/2014
Vendor Pay	✓	09/2013	03/2014
Civilian Pay	✓	09/2013	03/2014
Reimbursable Work Orders – Grantor	✓	09/2013	03/2014
Reimbursable Work Orders – Acceptor	✓	09/2013	03/2014
Fund Balance with Treasury	✓	09/2013	03/2014
Appropriations Received and Funds Distribution	✓	✓	✓
Other Budget Authority	✓	09/2013	03/2014
Financial Reporting	✓	09/2013	03/2014
SBR Assertion	✓	09/2013	03/2014

Note: The following table provides an explanation for the changes to the Corrected milestones.

Explanation for the Changed Corrected (Assertion) Milestones

Assessable Units and SBR	
Original Milestone Dates	09/2013
Reason Milestones Were Changed	Allows alignment with all other DHP Service Medical Activities SBR assertion dates.
Revised Milestone Dates	03/2014
Actions to Ensure Milestones Will Be Met	Additional time will allow further coordination with the DHP Components' assertions in accordance with OUSD(C) requirements.
Impact on Achieving Full Auditability by 2017	None



Other Defense Organizations

Defense Information Systems Agency (DISA) – General Fund

Overview

- DISA engineers and provides command and control capabilities and enterprise infrastructure to continuously operate and assures a global net-centric enterprise in support to warfighters, National leaders, and other mission and coalition partners.
- IPA validated audit readiness of DISA-GF financial statements, as of 09/2009.
- Remediated findings resulting from independent validation, including findings associated with unsupported PP&E, account maintenance, and financial compilation.
- Audit of FY 2012 General Fund financial statements to be completed 01/2013.
- Lack of an ERP prohibits full compliance with FFMIA requirements and will result in noncompliance audit findings.

Strategy Summary

- Share lessons learned from DISA audits with FIAR committees to raise awareness of “Corporate” issues.
- Support sustainment internally though internal control over financial reporting program.
- Validate audit readiness sustainment through annual independent audits.
- Aggressively pursue ERP solutions that will ensure compliance with FFMIA.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested	Corrected
Contract Pay	✓	✓
Vendor Pay	✓	✓
Civilian Pay	✓	✓
Reimbursable Work Orders – Grantor	✓	✓
Reimbursable Work Orders – Acceptor	✓	✓
Fund Balance with Treasury	✓	✓
Appropriations Received	✓	✓
Financial Reporting	✓	✓
SBR Assertion	✓	✓



Other Defense Organizations

Chemical Biological Defense Program (CBDP)

Overview

- CBDP provides chemical and biological defense capabilities in support of National military strategies.
- Validated audit readiness on Appropriations Received and Funds Distribution. Participating in Wave 1 validation.
- Identified documentation requirements and retention policies for all assessable units. Established SBR line-item reconciliations for material line items at the transaction level. Implemented reconciliation procedures to sustain auditability.
- Submitted draft Discovery documentation for Wave 2 after incorporating comments from the first OUSD(C) review. Started evaluation of both DAI and GFEBs efficiencies.
- CBDP plans to assert full SBR audit readiness in 06/2013.
- CBDP owns no IT systems and relies on other DoD entities to provide assurance over the system controls.

Strategy Summary

- Working audit readiness for all assessable units concurrently rather than consecutively. CBDP established separate teams to work the individual assessable units.
- DAI and GFEBs will be incorporated into the assessable units: Contract Pay, Reimbursable Work Orders (Grantor), Reimbursable Work Orders (Acceptor), FBWT, and Other Budget Activity.
- Obtaining copies of SSAE 16 certifications to support audit readiness for CBDP utilized systems, including ERPs. DAI was implemented for JSTO in 10/2011. GFEBs was implemented for Army components ATEC, RDECOM, and MEDCOM during FY 2012, and at JPEO 10/2012.
- Working with service providers to ensure a cohesive assertion, addressing all aspects of the internal control environment to include system audit assertions, as appropriate.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested	Corrected	
		As Planned	Revised
Contract Pay	✓	03/2014	06/2013
Reimbursable Work Orders – Grantor	✓	03/2014	06/2013
Reimbursable Work Orders – Acceptor	✓	03/2014	06/2013
Fund Balance with Treasury	✓	03/2014	06/2013
Appropriations Received	✓	✓	✓
Other Budget Activity	✓	03/2014	06/2013
SBR Assertion	✓	03/2014	06/2013



Other Defense Organizations

Defense Security Cooperation Agency (DSCA)

Overview

- DSCA synchronizes global security cooperation programs, funding, and efforts across OSD, Joint Staff, State Department, COCOMS, the Services, and U.S. Industry. DSCA is responsible for the effective policy, processes, training, and financial management necessary to execute security cooperation within the DoD.
- Asserted Wave 1, Appropriations Received, in 07/2012.
- A challenge for DSCA is multiple field offices, both CONUS and OCONUS, that require coordination of FIAR activities across all locations.

Strategy Summary

- Added contractor support to assist in performing FIAR activities for all assessable units. The contractor supports several key FIAR activities, including corrective action development and re-testing. One of the key areas supported is working with the various DSCA components to ensure operating procedure harmonization.
- Worked Wave 2 Discovery phase assessable units concurrently, moving quickly to corrective actions. No material weaknesses identified; however, problems included DD Form 1262 missing two different signatures, DD Form 1262 amendment missing when excess funds were removed in WAAS, and DCPS work schedule not matching the T&A sheet.
- Average number of days between MIPR signature and recording the commitment was 8 days, and between MIPR acceptance and recording of obligation was 9 days, which are being corrected.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested	Corrected
Contract Pay	✓	03/2014
Civilian Pay	✓	03/2014
Reimbursable Work Orders	✓	03/2014
Fund Balance with Treasury	✓	03/2014
Appropriations Received	✓	✓
Other Budget Authority	✓	03/2014
Financial Reporting	✓	03/2014
SBR Assertion	✓	03/2014



Other Defense Organizations

Defense Threat Reduction Agency (DTRA)

Overview

- DTRA is the combat support agency for countering weapons of mass destruction.
- Identified assessable/sub-assessable units for SBR significant processes in the legacy environment. Working to identify assessable/ sub-assessable units for significant SBR areas in DAI.
- Challenged with obtaining process and internal control documentation from service providers and obtaining suballotment holder transaction-level data. Approximately 2 percent of DTRA funding is sub-allotted to other agencies.
- Implemented DAI 10/2011, which substantially altered the treasury, disbursement, and related accounting functions. The discovery data and related analysis were based on former legacy system data and procedures. DTRA will update discovery to incorporate DAI.

Strategy Summary

- Separate teams work the individual assessable units concurrently.
- Documenting DAI processes for sub-assessable units and functional activities. Contract Pay and Reimbursable Grantor and Acceptor testing will include verification of invoices and MIPRs.
- Corrective Action Plans are being developed and implemented, as needed. Evaluation of the results includes reviewing the processes and procedures for DAI to determine if issues have been mitigated.
- Working with DFAS and suballotment holders to obtain transaction-level detail and supporting documentation.
- Developing MOAs with suballotment holders to establish reporting process. Developing MOUs with service providers to establish processes and dates to submit documentation addressing internal control analyses and status of corrective action plans.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested		Corrected
	As Planned	Revised	
Contract Pay	06/2012	06/2013	03/2014
Vendor Pay	06/2012	06/2013	03/2014
Civilian Pay	06/2012	06/2013	03/2014
Reimbursable Work Orders – Grantor	06/2012	06/2013	03/2014
Reimbursable Work Orders – Acceptor	06/2012	06/2013	03/2014
Fund Balance with Treasury	06/2012	06/2013	03/2014
Appropriations Received – Wave 1	✓	✓	✓
Appropriations Received – Wave 2	06/2012	06/2013	03/2014
SBR Assertion	06/2012	06/2013	03/2014



Other Defense Organizations

Defense Contract Management Agency (DCMA)

Overview

- DCMA provides contract administration services to the DoD Acquisition Community and its partners.
- Asserted Appropriations Received and OUSD(C) approved.
- All discovery packages were submitted on schedule. DCMA has performed testing and identified a need for corrective action implementation in the leave/premium time approval and authorization process within Civilian Pay. Additionally, testing revealed deficiencies in the ability to provide Contract/Vendor Pay obligating documents in a timely manner.
- Managing FIAR activities in over 700 locations is challenging and requires consistent processes and a robust testing methodology.
- SBR assertion will take place prior to conversion to DAI. Processes will be updated to ensure sustainment.

Strategy Summary

- DCMA, OUSD(C), and DFAS are conducting meetings to ensure coordinated efforts for the early assertion of the SBR in FY 2013.
- DCMA will address deficiencies by developing and implementing Corrective Action Plans. The Corrective Action Plan for Civilian Pay includes enhanced training for Timekeepers and Certifiers to correct a deficiency in documentation of leave approvals and premium time authorizations. DCMA will address the deficiency in Contract/Vendor Pay through better records management. While testing to date has not indicated additional material problems, DCMA is executing further tests of controls and transactions through November 2012 for all sub-assessable units.
- DCMA will have an in-depth, independent evaluation of controls and transactions prior to assertion of the SBR. This testing will provide further assurance of audit readiness prior to assertion.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested		Corrected	
	As Planned	Revised	As Planned	Revised
Contract Pay	05/2012	✓	02/2013	09/2013
Vendor Pay	06/2012	✓	03/2014	09/2013
Civilian Pay	05/2012	✓	07/2013	09/2013
Reimbursable Authority	05/2012	✓	02/2013	09/2013
Fund Balance with Treasury	06/2012	✓	03/2013	09/2013
Appropriations Received	✓	✓	✓	✓
Other Budget Authority	05/2012	✓	05/2013	09/2013
SBR Assertion	06/2012	09/2013	03/2014	09/2013



Other Defense Organizations

Defense Technical Information Center (DTIC)

Overview

- DTIC provides scientific and technical information, and delivers innovative products and services to DoD users.
- Developing and updating process narratives, flowcharts, risk assessments, and control worksheets for each assessable unit. Test plans and corrective action plans will be implemented in FY 2013 for Contract Pay, Vendor Pay, Reimbursable Work Order (Grantor), and Civilian Payroll. All work for FBWT and Financial Reporting will start in FY 2013.
- Significant challenges include obtaining DAI data, such as object class codes, in a timely manner, limited resources to meet the 06/2012 deadline for Discovery phase (testing), and reliance on other DoD entities to provide assurance over system controls.

Strategy Summary

- After assessing work products, available resources, and the ability to obtain evidential matter, DTIC modified the discovery and assertion dates for some assessable units. Impediments include lack of process documentation, limited resources, and challenges in obtaining data from the DTIC financial system of record. DTIC and DFAS are documenting each assessable unit process cycle (with the exception of FBWT and Financial Reporting), and obtaining supporting documentation. As internal controls are identified, DTIC tests controls and implements corrective actions.
- Complete and finalize control process documentation, including testing and documenting risk analyses not later than 12/2013.
- Obtaining documentation for agency systems, including ERPs owned by other entities.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested		Corrected	
	As Planned	Revised	As Planned	Revised
Contract Pay	✓	05/2013	06/2012	01/2014
Vendor Pay	✓	05/2013	06/2012	01/2014
Civilian Pay	06/2012	03/2013	12/2012	09/2013
Reimbursable Work Orders – Grantor	06/2012	05/2013	02/2013	01/2014
Reimbursable Work Orders – Acceptor	06/2012	04/2013	02/2013	10/2013
Fund Balance with Treasury	06/2012	09/2013	03/2013	03/2014
Appropriations Received	✓	✓	06/2012	✓
Financial Reporting	06/2012	12/2013	08/2013	03/2014
SBR Assertion	06/2012	12/2013	03/2014	

Note: The table on the following page provides an explanation for the changes to the Corrected milestones.



Other Defense Organizations

Explanation for the Changed Corrected (Assertion) Milestones

Assessable Units	Contract Pay	Vendor Pay	Civilian Pay	Reimbursable Work Orders – Grantor	Reimbursable Work Orders – Acceptor	FBWT	Financial Reporting
Original Milestone Dates	06/2012	06/2012	12/2012	02/2013	02/2013	03/2013	08/2013
Reason Milestones Were Changed	<p>An assessment was made by the DTIC functional and contract support team as to current documentation processes, available resources, and the availability of obtaining relevant financial and other supporting documents required for DTIC's FIAR effort. The primary critical obstacles were:</p> <ul style="list-style-type: none"> • Inability to obtain supporting documentation from key participants/stakeholders • Lack of process documentation • Limited functional and contract resources <p>Challenges in obtaining relevant and requested data from financial system of record</p>						
Revised Milestone Dates	01/2014	01/2014	09/2013	01/2014	10/2013	03/2014	03/2014
Actions to Ensure Milestones Will Be Met	<p>The DTIC Comptroller has engaged the services of the DFAS Columbus Audit Readiness and Client Executive to assist in obtaining supporting documentation and process analysis for the DTIC FIAR effort. Also, the DTIC Comptroller has designated a dedicated FIAR liaison resource from DTIC-R to assist and monitor the Agency's FIAR effort and progress. For the DTIC contract support team, the team resources have increased from 1.5 FTEs to 3 FTEs, with projected surge capabilities of at least 2 additional FTEs within the next two to three months. The civilian and contract support are working together to document each assessable unit process cycle as well as obtaining system generated and manual supporting documentation. As internal controls are being identified, the DTIC team is writing test plans, testing internal controls, and processes and implementing corrective action plans. Additionally, the DTIC Team has partnered with the OUSD(C) to engage in bimonthly interim reviews of documentation and FIAR guidance compliance progress.</p>						
Impact on Achieving Full Auditability by 2017	None. Further, none of the above changes impacts achieving the SBR assertion milestone of 03/2014.						



Other Defense Organizations

Defense Logistics Agency (DLA) – General Funds

Overview

- DLA provides worldwide logistics support to the Military Services, as well as other federal agencies and foreign countries.
- Established Enterprise Business Cycle structure in 2007 to assess business processes from initiation through reporting financial results. Established DLA-wide standards and criteria in 2009 that outline needed capabilities. In 2012, established a FIAR Program Management Office to oversee DLA enterprise-wide participation.
- OUSD(C) validated General Funds Appropriation Received and Funds Distribution process as audit ready.
- DLA suballots funds to other DoD activities who are responsible for the audit readiness of their SBR-related processes.

Strategy Summary

- DLA will use the Enterprise Business Cycles structure for developing and implementing FIPs. Business Cycle Teams and Enterprise Support Teams establish financial capabilities, serve as subject matter professionals, and mitigate deficiencies. Field Command Teams bring resources for updating and validating documentation, and identifying and correcting deficiencies.
- Validating location of evidential matter, retrieval capabilities, and retention requirements for GF and WCF Civilian Pay. Asserting audit readiness in FY 2013.
- Asserted to FBWT reconciliation to the document level in 09/2012. DLA will assert General Funds FBWT in FY 2014 and the complete FBWT cycle in FY 2015.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested	Corrected
Contract Pay	✓	03/2014
Vendor Pay	✓	03/2014
Civilian Pay	✓	09/2013
Reimbursable Work Orders – Grantor	✓	03/2014
Reimbursable Work Orders – Acceptor	✓	03/2014
Fund Balance with Treasury	03/2013	03/2014
Appropriations Received	✓	✓
Other Budgetary Activity	✓	03/2014
Financial Reporting	✓	03/2014
SBR Assertion	✓	03/2014

Other Defense Organizations



Military Retirement Fund (MRF) Payments

Overview

- This assessable unit represents two Defense-wide accounts established to receive annual payments from the Department of Treasury to pay the scheduled amount due for retirement benefits earned by military personnel for service prior to 1985.
- Department of Treasury warrants funds into these accounts from the General Fund of the Treasury. Funds are immediately transferred to the Military Retirement Trust Fund upon receipt. Fund Balance with Treasury is always zero after October of each year.
- OUSD(C) completed an audit readiness assessment in 09/2011 and determined these accounts are audit ready since 100 percent of the supporting documents were available and reconciled to the accounting records. The DoD OIG concurred with the OUSD(C) assessment.

Strategy Summary

- These payments will be included in the scope of work for independent audit of the Military Retirement Trust Fund in FY 2013.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested	Corrected
Appropriations Received	✓	✓
Financial Reporting	✓	✓
Other Budgetary Accounts	✓	✓
SBR Assertion	✓	✓

Other Defense Organizations



AUDIT READY MISSION CRITICAL ASSETS (WAVE 3)

The following ODOs have a material dollar value of mission critical assets and are actively working to improve mission critical asset information by preparing for existence and completeness audits.

- Defense Information Services Agency – General Fund
- Defense Logistics Agency
- Missile Defense Agency
- TRICARE Management Activity – Financial Operations Division
- U.S. Special Operations Command
- Washington Headquarters Services

These ODOs are improving mission critical asset information by capitalizing on their OMB Circular A 123, Appendix A, work to document processes, risks, controls, and systems and to perform corrective actions, as needed, to resolve deficiencies and strengthen controls.

The ODO milestones for achieving the mission critical asset existence and completeness priority are provided in Figure VI-3. It also identifies changes to milestones since the November 2010 FIAR Plan Status Report or from when first reported. Following Figure VI-3 are individual charts for each ODO that is working to achieve existence and completeness audit readiness. These charts provide an overview describing their FIAR status, strategy to achieve audit readiness, and a milestone section identifying the assessable units in their FIPs and planned dates for completing testing and corrective actions.



Other Defense Organizations

Defense Information Systems Agency (DISA) General Fund

Overview

- Engineers provide command and control capabilities and enterprise infrastructure to continuously operate and assure a global net-centric enterprise in direct support to joint warfighters, National-level leaders, and other mission and coalition partners across the full spectrum of operations.
- In 06/2010, an IPA completed audit readiness validation of DISA-GF FY 2009 financial statements.
- DISA remediated findings resulting from independent validation; including findings associated with unsupported PP&E, account maintenance, and financial compilation.
- The DISA-GF is currently under audit of its FY 2012 financial statements. ECD is 01/2013.
- Lack of an ERP prohibits full compliance with FFMIA requirements and will result in noncompliance audit findings.

Strategy Summary

- Share lessons learned from DISA audits with FIAR committees to raise awareness of "Corporate" issues.
- Support sustainment internally though internal control over financial reporting program.
- Validate audit readiness sustainment through annual independent audits.
- Aggressively pursue ERP solutions that will ensure compliance with FFMIA.

Completion Dates for Existence and Completeness Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
General Equipment	✓	✓

Other Defense Organizations



Defense Logistics Agency (DLA)

Overview

- General equipment policies and procedures are in place and are under review to ensure they meet accounting standards.
- The 09/2013 general equipment assertion will be for assets over the \$100,000 capitalization threshold. DLA will assert to the remaining mission critical general equipment assets 09/2015.
- Ongoing efforts include the review of the real property host site evidential matter to ensure required data are available to support a 09/2013 DLA Host Site assertion. The 09/2014 assertion will include all non-Host Sites.
- Developed an inventory sampling plan for DoD materiel held by DLA that verifies year-end inventory quantities of DoD organizations who own the materiel. First execution of the plan was completed 09/2011. The second execution of the plan occurred in 09/2012, and included sampling to address completeness.
- Challenges to correcting deficiency for inventory in-transit reporting includes need to receive material receipt acknowledgements for deliveries when ownership transfers to the customer upon delivery.

Strategy Summary

- Executing a Real Property physical inventory. Physical surveys are over 30 percent complete. Reconciliation of records with Army, DON, and Air Force is ongoing and forms the basis for developing real estate instruments where none currently exist. Accountability policies and training are being updated. Control and substantive testing is planned. Additionally, a monitoring program is being established to ensure accuracy.
- Drafting a real property standard operating procedure to address the acquisition through disposal process, including the controls over construction in progress. Developing policies for real property acquisition and disposal, and real property inventory.
- Moving DLA Disposition Services business processes into the DLA ERP. The initial fielding began in 08/2012; target completion remains 02/2013.
- Addressed DLA OIG audit recommendations to resolve automated inventory reconciliation discrepancies by correcting systems deficiencies and revising inventory records management policy gaps.

Other Defense Organizations



Completion Dates for Existence and Completeness Milestones (✓= Completed)

Assessable Units	Tested		Corrected	
	As Planned	Revised	As Planned	Revised
General Equipment – Only Capitalized Assets	03/2013		03/2014	09/2013
General Equipment – All Accountable Assets	03/2013		03/2014	09/2015
Real Property – DLA Hosted Sites	09/2013	03/2013	04/2014	09/2013
Real Property – Non-DLA Hosted Sites	06/2015	03/2014	06/2016	09/2014
Inventory	07/2012	01/2013	09/2014	

Note: The following table provides an explanation for the changes to the Corrected milestones.

Explanation for the Changed Corrected (Assertion) Milestones

General Equipment – All Accountable Assets	
Original Milestone Date	03/2014
Reason(s) Milestone Was Changed	DLA reprioritized efforts to assert to only capitalized general equipment assets by 03/2013 and will include asserting to the valuation of capitalized general equipment assets. As a result, the resources and testing required to assert to the existence and completeness of the massive quantity of accountable assets (assets valued at \$5,000-\$99,999, sensitive, classified, pilferable, and any value government-furnished equipment and leased assets) will require additional time.
Revised Milestone Date	09/2015
Actions to Ensure Milestone Will Be Met	A plan of action and milestones is being developed to achieve the capitalized asset assertion in 2013 and accountable asset assertion in 2015.
Impact on Achieving Full Auditability by 2017	None



Other Defense Organizations

Missile Defense Agency (MDA)

Overview

- MDA is a research, development, and acquisition agency that develops, tests, and fields an integrated Ballistic Missile Defense System to protect the U.S., DoD forward-deployed forces, and friends and allies from hostile ballistic missile attack.
- Asserted Military Equipment - Sensors existence and completeness in Quarter 2 of FY 2012.
- Monitoring corrective action plans through formal coordination with OPRs for property accountability and GFP accountability for Military Equipment, General Equipment, Operating Materials and Supplies, and Real Property.
- Although MDA now reports its financial statements utilizing DAI, the system does not provide the full visibility of all documents at the transaction level that comprise a specific balance.
- MDA relies on service providers to provide assurance over the processes and controls impacting MDA audit readiness.

Strategy Summary

- Completed risk assessments for Military Equipment (Sensors and THAAD), General Equipment (Targets, Space Systems, THAAD, Test), Operating Materials and Supplies (GMD), and Real Property (MDA).
- Test plan design completed for all assessable units and completed test activities, except for those key controls that exhibited gaps or material weaknesses. These will be tested when the corrective action plans are completed.
- Revising narratives and flowcharts based on test results to address the material weakness reported in the Statement of Assurance, which lack standard processes/controls, central oversight, or central location for support documentation for property accountability.
- Next major milestone is the completion of the corrective action plans for property accountability and government furnished property by Quarter 3 of FY 2013.

Completion Dates for Existence and Completeness Milestones (✓= Completed)

Assessable Units	Tested	Corrected
Military Equipment	09/2014	09/2015
General Equipment	09/2014	09/2015
Operating Materials and Supplies	09/2014	09/2015
Real Property	09/2014	09/2015



Other Defense Organizations

TRICARE Management Activity – Financial Operations Division (TMA-FOD)

Overview

- TRICARE provides civilian health benefits for military personnel, military retirees, and their dependents, including some members of the Reserve Component.
- Completed discovery through site visits and updating general equipment and internal use software documentation. The majority of testing has been performed. Currently working with business partners to provide updates to certain activities within the process, such as receipt and acceptance.
- Beginning data mining in DPAS to ensure an understanding of data field requirements and accuracy of the data. Corrective actions are underway to reconcile the data in the property system to the general ledger in DAI.
- The reconciliation encountered issues, and there was a delay in accurately identifying the universe that would have affected meeting 09/2013. Therefore, the completion date was moved to 09/2015 to accommodate the complexities in obtaining documentation to support the assets.

Strategy Summary

- Completed Discovery review. Resulting issues are being considered for corrective action.
- Performed reconciliations, conducted testing, identified discrepancies, and currently reviewing corrective actions.
- Complete property universe has been identified. Next step is to develop a testing methodology to align with the assertion schedule.
- Currently performing supporting documentation review. This is another area that impacted meeting the 09/2013 milestone, therefore, the date was moved to 09/2015.
- Verify data attributes from supporting documentation for accuracy of property accountability, which also includes review of recorded dollar amounts associated with the financial management and budget data in the property records.

Completion Dates for Existence and Completeness Milestones (✓ = Completed)

Assessable Units	Tested	Corrected	
		As Planned	Completion
General Equipment	✓	09/2013	09/2015

Note: The table on the following page provides an explanation for the changes to the Corrected milestones.

Other Defense Organizations



Explanation for the Changed Corrected (Assertion) Milestone

General Equipment	
Original Milestone Date	09/2013
Reason(s) Milestone Was Changed	Property continues to be a significant deficiency due to the complexity of Internal Use Software development, the property accounting system, and integration of the new ERP, Defense Agency Initiative (DAI).
Revised Milestone Date	09/2015
Actions to Ensure Milestone Will Be Met	Additional time will enable development and improvements to E&C processes, full implementation of controls, and resolution of Correction Action Plans.
Impact on Achieving Full Auditability by 2017	None

Other Defense Organizations



U.S. Special Operations Command (USSOCOM)

Overview

- In 01/2012, asserted existence and completeness audit readiness for two Quick-Win assets.
- Command assets are only recorded in the property systems of the Military Services.
- Manual processes, including journal vouchers, are used to capture and consolidate asset purchases, disposals, and depreciation, due to lack of a Command-wide accountable property system of record.
- Legacy Military Service accounting systems, upon which USSOCOM depends, do not properly record OM&S. As a result, capturing and reporting OM&S is a totally manual process.

Strategy Summary

- Identify and assert audit readiness for additional military equipment, such as Rotary and Fixed Wing Aircraft, Tactical Vehicles, and Sub-surface Equipment. Planning separate assertions by assessable unit by DoD Component.
- Ensure proper recording of real property based on pending DoD policy decision.
- Funding approved for contractor support for existence and completeness actions, such as developing test materials, site testing, documentation collection, and assertion.
- Working with service providers to establish roles and responsibilities in providing system documentation, testing, and other related support.

Completion Dates for Existence and Completeness Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
Military Equipment	12/2012	05/2015
General Equipment	12/2012	05/2015
Real Property	12/2014	05/2015
Operating Materials and Supplies	08/2016	06/2017



Other Defense Organizations

Washington Headquarters Services (WHS)

- Identified material assessable units, key controls, and key supporting documentation for Real Property and General Equipment assets.
 - Established a working group to improve operational business processes for data quality, transaction processing, and property management. The outcome of these sessions will facilitate better accountability and financial reporting.
 - Supplemented resource levels by adding 11 staff members.
- WHS is beginning the evaluation and discovery of Real Property and General Equipment assets for audit readiness assertion efforts. WHS is conducting discussions between WHS financial and operations communities to assess current state.
 - Outcomes are being leveraged from existing working group and task force meetings with WHS financial and operations community to better understand current state and what needs to be completed to meet audit readiness existence and completeness objectives and responsibilities of each group.
 - Address overall audit readiness efforts, roles and responsibilities, audit readiness challenges, and identify solutions for achieving auditability through regularly meetings with WHS financial and operational communities.

Completion Dates for Existence and Completeness Milestones (✓ = Completed)

Assessable Units	Tested	Corrected
General Equipment	09/2013	06/2014
Real Property	09/2013	06/2014

Other Defense Organizations



INTELLIGENCE COMMUNITY DEFENSE AGENCIES

The FY 2011 Intelligence Authorization Act required the Defense Intelligence Agencies (Defense Intelligence Agency, National Geospatial Intelligence Agency, and National Security Agency) to obtain an unqualified audit opinion on all financial statements by FY 2016. Because of the accelerated timeline, unique operational requirements, classification requirements, and congressional guidance unique to the Intelligence Community (IC) Defense Agencies, the DoD Deputy CFO defers to the Assistant Director of National Intelligence (ADNI) Chief Financial Officer to provide technical direction and guidance to the IC Defense Agencies regarding to audit readiness. The IC Defense Agencies are following the IC Audit Readiness Strategy to achieve the FY 2016 clean audit opinion date for all financial statements.

The IC Audit Readiness Strategy is a systematic method to identify and resolve audit impediments, building on strong business processes and internal controls with supportable financial data. The IC Strategy's foundation is supported by an IC-wide governance

structure engaging all levels of the IC component structure. The strategy provides a phased approach similar to the DoD FIAR Plan and demands leadership engagement across the IC to implement financial management improvements to drive change.

The ODNI provides periodic updates to the DoD and Congress. In addition, the Defense Intelligence Agency, National Geospatial Intelligence Agency, and National Security Agency audit readiness status and progress are provided in the charts that follow. These charts provide an overview that describes each IC Defense Agency's status toward accomplishing the FY 2016 audit date, strategy to achieve audit readiness, and milestones that identify planned dates for completing testing, validation, corrective actions, and assertions.

In FY 2011, The Assistant Director of National Intelligence and Chief Financial Officer (ADNI/CFO) issued a requirement that each agency conduct a full scope audit or an auditability assessment on their FY 2014 financial statements. To meet this goal, previously established and reported auditability dates required modification.



Other Defense Organizations

Defense Intelligence Agency (DIA)

Overview

- Established the Financial Management Improvement and Audit Readiness Program Office in the Office of the Comptroller to manage all aspects of the agency initiative to reach and sustain an unqualified opinion.
- DIA asserted readiness of Wave 1 as scheduled and has remediated all overseer concerns.

Strategy Summary

- DIA will utilize Integrated Audit Teams comprised of business process and business systems operations personnel, and contracted Subject Matter Experts to conduct discovery, implement corrective actions, and respond to the auditor's requirements.
- DIA has established an integrated master schedule against which the Integrated Audit Teams are executing their FIAR process work.
- Conduct an audit or assessment of FY 2014 financial statements to ensure major weaknesses are identified.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested		Corrected	
	As Planned	Revised	As Planned	Revised
Payables	07/2013	10/2014	09/2013	12/2014
Reimbursable Work Orders - Grantor	07/2013	01/2014	09/2013	03/2014
Reimbursable Work Orders - Acceptor	02/2013	01/2014	03/2013	03/2014
Fund Balance with Treasury	02/2014	06/2013	03/2014	09/2013
Appropriations Received	03/2012	06/2012	06/2012	09/2012
SBR Assertion	02/2014	01/2014	03/2014	

Other Defense Organizations



Defense Intelligence Agency (DIA)

Overview

- DIA's PP&E audit readiness efforts will be completed in Quarter 1 of FY 2015.

Strategy Summary

- Conducted assessment of all PP&E categories to identify scope of audit discovery and remediation work necessary for DIA PP&E.

Completion Dates for Property, Plan, and Equipment Milestones (✓ = Completed)

Assessable Units	Tested		Corrected	
	As Planned	Revised	As Planned	Revised
Property, Plant, and Equipment	11/2014	06/2015	12/2014	09/2015



Other Defense Organizations

National Geospatial Intelligence Agency (NGA)

Overview

- Completed migration and achieved initial operating capability for NGA’s fully integrated financial management system. The new system, called GEOINT-Financials (GEO-F), is USSGL compliant and begins the process of improving the system control environment.
- Initiated new business processes and internal controls as part of the GEO-F implementation.
- Issued an updated policy directive that assigns responsibility for financial accountability and resource management in support of achieving an unqualified audit opinion. Developed or updated eight NGA Instructions based on the new processes implemented with the GEO-F financial management system.
- Asserted to audit readiness for Appropriations Received using a 100 percent substantive reconciliation. NGA will reevaluate audit readiness of Appropriations Received based on the GEO-F business processes and associated controls during FY 2013.

Strategy Summary

- Using ICOFR process and control evaluations and substantive transaction testing through Quality Assurance Reviews to identify and correct deficiencies and implement enhanced business process controls.
- NGA is preparing to undergo an audit of the FY 2014 financial statements.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested	Corrected
Payables	10/2013	01/2014
Reimbursable Work Orders - Grantor	10/2013	01/2014
Reimbursable Work Orders - Acceptor	10/2013	01/2014
Fund Balance with Treasury	10/2013	01/2014
Appropriations Received	✓	✓
SBR Assertion	10/2013	01/2014



Other Defense Organizations

National Geospatial Intelligence Agency (NGA)

Overview

- Established a PP&E function within the NGA Financial Management Directorate (which includes a Property Accounting Team and a Project Accounting Team), that is partnered with agency stakeholders.
- All tasks and activities for the Property and Project Accounting Teams are designed to operationalize these functions throughout FY 2013, and align with NGA's Multi-Year Corrective Action Plan (MCAP), which includes beginning balance valuation and inventory procedures.
- NGA's MCAP supports a full scope audit of the FY 2014 financial statements, including PP&E.

Strategy Summary

- NGA's MCAP requires beginning balance valuation and inventory efforts be completed in Quarter 1 of FY 2014 in order to establish a complete and reliable PP&E baseline.
- NGA's MCAP requires Contractor Acquired Property to be part of the beginning balance valuation and inventory efforts.

Completion Dates for Property, Plant, and Equipment Milestones (✓= Completed)

Assessable Units	Corrected		
	Tested	As Planned	Revised
Property, Plant, and Equipment	10/2013	10/2013	01/2014



Other Defense Organizations

National Security Agency (NSA)

Overview

- NSA’s audit remediation resource requirements are currently being evaluated. DNI FY 2014 CIG directs NSA to undergo a full scope audit in FY 2014. Impacts to the audit remediation schedule are under review.
- NSA submitted six assertions packages (Imputed Cost, Net Position, Salaries and Benefits, a combined Appropriations Received and Information Technology, General and Application Controls package, and Other Assets and Liabilities (OA&L)). Five assertion packages have been validated as audit ready by ODNI. The ODNI is currently reviewing OA&L.

Strategy Summary

- NSA audit readiness strategy involves assessing the end-to-end business processes, systems, and supporting documentation for 15 key financial events.
- NSA asserted that 29 percent of the financial events are ready for audit. NSA is conducting corrective actions on an additional 41 percent of the financial events.
- DNI FY 2014 CIG directs NSA to undergo a full scope audit in FY 2014. Impacts to the audit remediation schedule are under review. NSA’s goal of receiving an unqualified opinion of FY 2016 financial statements remains the same.

Completion Dates for Statement of Budgetary Resources Milestones (✓= Completed)

Assessable Units	Tested		Corrected	
	As Planned	Revised	As Planned	Revised
Payables	03/2013	10/2013	06/2013	12/2013
Reimbursable Work Orders - Grantor	09/2012	10/2013	03/2013	12/2013
Reimbursable Work Orders - Acceptor	09/2012	10/2013	03/2013	12/2013
Fund Balance with Treasury	10/2013		02/2014	12/2013
Appropriations Received	✓	✓	✓	✓
SBR Assertion	06/2013	10/2013	03/2014	12/2013

Other Defense Organizations



National Security Agency (NSA)

Overview

- NSA's Property, Plant, and Equipment audit readiness efforts are dependent upon implementation of the BITMAP modules required to achieve auditability. As noted in the SBR chart, DNI FY 2014 CIG directs NSA to undergo a full scope audit in FY 2014. Impacts to the audit remediation schedule are under review.

Strategy Summary

- NSA's Property, Plant, and Equipment audit readiness efforts are dependent upon implementation of the BITMAP modules required to achieve auditability. As noted in the SBR chart, DNI FY 2014 CIG directs NSA to undergo a full scope audit in FY 2014. Impacts to the audit remediation schedule are under review.

Completion Dates for Property, Plant, and Equipment Milestones (✓= Completed)

Assessable Units	Tested		Corrected	
	As Planned	Revised	As Planned	Revised
Property, Plant, and Equipment	10/2014	06/2015	02/2015	09/2015



Other Defense Organizations

ODO AUDIT READINESS RESOURCES

The ODOs have budgeted the appropriate level of resources to achieve the FIAR goals and priorities. The FIAR activities funded by the amounts in Figure VI-4 include conducting audit readiness activities, hiring IPA firms to conduct validations and audits, and resolving financial system issues (i.e., achieving an audit ready systems environment).

Audit Readiness encompasses the resources for evaluation, discovery, and corrective actions of the ODOs and their service providers (e.g., DFAS) and includes documenting and modifying processes and controls, identifying internal control deficiencies through testing and remediation of deficiencies, and evaluating transaction-level evidential matter and ensuring it is readily available.

Resources for activities to test or verify audit readiness after completing corrective actions and preparation of management assertion packages also are included.

Validations and Audits include the resources for validations, examinations, and financial statement audits conducted by IPAs.

Financial Systems includes the resources for designing and achieving an audit ready systems environment, including deployment costs. It also includes the resources to make needed and cost-effective changes to legacy systems that will be part of the audit ready systems environment. Financial System resources include design, development, deployment, interfaces, data conversion and cleansing, independent verification and validation and testing, implementation of controls and control testing, and system and process documentation. Cost information for ERPs is provided in Section VIII.

Figure VI-4. Other Defense Organizations Audit Readiness Resources (\$ in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Audit Readiness	\$ 119	\$ 236	\$ 213	\$ 193	\$ 115	\$ 100	\$ 97
<i>Process Review and Remediation</i>	110	227	199	180	102	87	84
<i>DFAS Audit Readiness Support</i>	6	6	6	6	6	6	6
<i>Internal Audit Cost</i>	3	3	8	7	7	7	7
Validations and Audits	\$ 5	\$ 11	\$ 33	\$ 36	\$ 36	\$ 36	\$ 36
Financial Systems	\$ 14	\$ 20	\$ 14	\$ 10	\$ 9	\$ 9	\$ 9
Total Resources	\$ 138	\$ 267	\$ 260	\$ 239	\$ 160	\$ 145	\$ 142

Other Defense Organizations



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VII. Service Provider Audit Readiness Plans

Service providers are entities that provide services impacting a reporting entity's manual and automated processes used for financial reporting. Some Components function both as reporting entities and as service providers. Reporting entities are entities or funds that produce financial statements that are combined or consolidated in the DoD Agency-wide Financial Statements.

In support of DoD Component audit readiness, the Department's service provider strategy focuses on bringing together service providers and reporting entities to identify risks, develop common control objectives, and ensure controls meet those risks and operate effectively. The Department uses many service providers to improve efficiency and standardize business operations. This section of the Report provides the status and plans of key DoD service providers, which include:

- Defense Civilian Personnel Advisory Service (DCPAS]
- Defense Contract Management Agency (DCMA)
- Defense Finance and Accounting Service (DFAS)
- Defense Information Systems Agency (DISA)
- Defense Logistics Agency (DLA)

The service providers perform a variety of accounting, personnel, logistics, and system operations and hosting support. A description of the services each provides, and their status and plans in supporting DoD Components as customers, is provided within the subsections for each of the following assessable units:

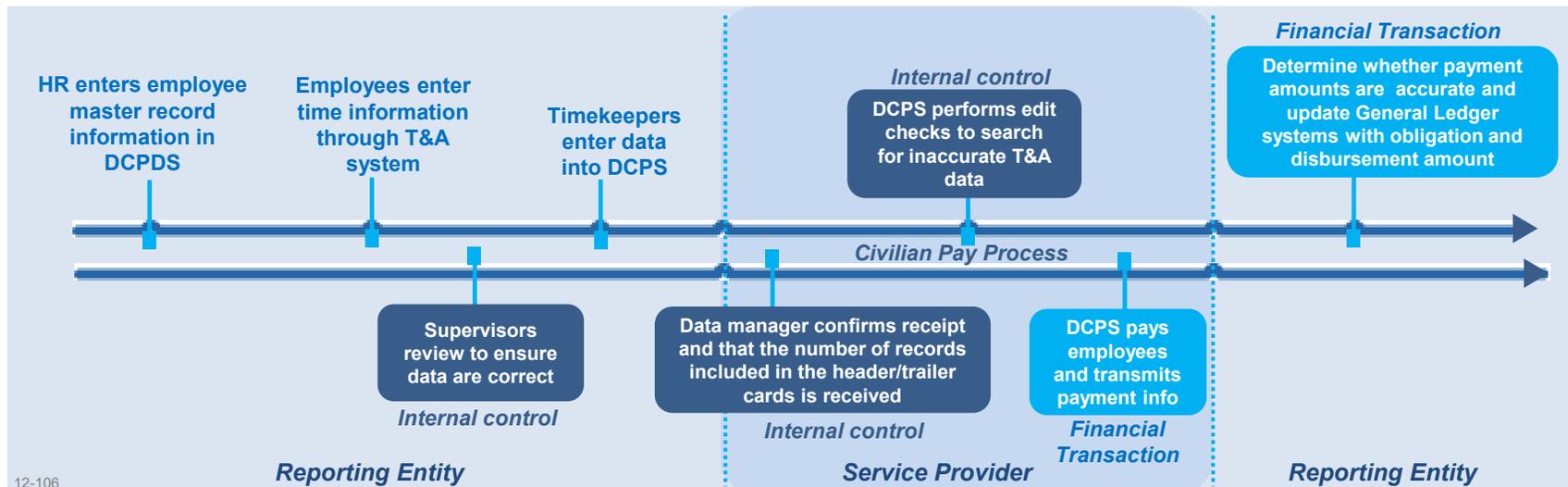
- Civilian Pay
- Military Pay
- Contract Pay
- Disbursing
- Financial Reporting
- DoD-wide Computing Services

Using Civilian Pay as an example, Figure VII-1 illustrates how a service provider is responsible for performing a portion of the manual and automated processes for a reporting entity's end-to-end process. The Civilian Pay process includes transactions, processes, controls, systems, and documentation within both the reporting entity and service provider. The controls may be manual or automated, and documentation may reside with either entity. Transactions may be initiated by the reporting entity or service provider. Therefore, both organizations must be able to provide supporting documentation during an audit to demonstrate that controls are properly designed and operating effectively and transactions are properly recorded.



Service Provider Audit Readiness Plans

Figure VII-1. Civilian Pay Responsibility Segments



SERVICE PROVIDER AUDIT READINESS

Similar to the reporting entities’ efforts to achieve audit readiness and obtain unqualified audit opinions on their financial statements, service providers also are working to achieve audit readiness and obtain unqualified opinions on their controls over operations. Examinations for service providers are conducted in accordance with Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization, which is similar to an audit of the reporting entity’s financial statements.

SSAE 16 examinations are most efficient when the service provider has many customers, allowing customer financial statement auditors to rely on just one SSAE 16 report. As a result, the DoD FIAR Guidance requires a service provider to obtain SSAE 16 examinations if it has three or more customer reporting entities that are working to become audit ready. Service providers with three or more customer reporting entities are collaborating on audit readiness

timelines to determine when to commence their SSAE 16 examinations.

Service providers who elect to forego obtaining an SSAE 16 examination must coordinate with the reporting entity to determine how they will support the reporting entity’s audit readiness efforts. Service providers are responsible for executing the key tasks and activities in the Discovery and Corrective Action phases of the FIAR Methodology for their processes, systems and controls that affect the reporting entity’s financial reporting objectives. Specifically, service providers must achieve the key financial reporting objectives by implementing a combination of control activities and supporting documentation, which will ultimately be audited as part of the reporting entity’s financial statement audit.

Figure VII-2 provides the service providers’ status and plans for achieving audit readiness and conducting SSAE 16 examinations. The figure is organized by assessable unit.

Service Provider Audit Readiness Plans



Figure VII-2. Service Provider Audit Readiness Plans

Assessable Unit / Service Provider	FY 2011				FY 2012				FY 2013				FY 2014				FY 2015				Legend
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Civilian Pay																					
DCPAS (Includes DCPDS)								▲													<ul style="list-style-type: none"> Discovery Corrective Action Audit Readiness Assertion SSAE 16 or Sustainment Reporting Entity Assertion Support Scope and Timeline Defined and Communicated Change from May 2012 FIAR Plan Status Report
DFAS (Includes DCPS & ADS)																					
Military Pay																					
DFAS (Includes DJMS & DMO)								▲													
Contract Pay																					
DCMA (Includes MOCAS & MDO)								▲													
DFAS (Includes MOCAS, EAS, APVM, & PPVM)								▲													
DLA (Includes WAWF & EDA)								▲													
Disbursing																					
DFAS (Includes ADS)																					
Financial Reporting																					
DFAS																					
DoD-Wide Computing Services																					
DISA																					
DLA (Includes DDRS, DCAS, & DAI)								▲													
DLA (Includes DAAS/GEX)																					
DLA (Includes DTS & EFD)								▲													

Service Provider Audit Readiness Plans



SERVICE PROVIDER INITIATIVES

Because the service providers and reporting entities are separate organizations within the Department, the OUSD(C)/FIAR Directorate takes an active role to ensure service providers and reporting entities reach an understanding and document agreement on their respective roles in audit readiness.

Service Provider Support

The FIAR Directorate is directly involved in multiple assessable units at the Department level. Specifically, for Civilian Pay, Military Pay, Contract Pay, Disbursing and Financial Reporting, the FIAR Directorate is working with the respective service providers to develop process documentation, evaluate control objectives, and test control activities. In addition to reviewing assertion work products as they are submitted for review, the FIAR Directorate has two initiatives specifically directed at accelerating service provider audit readiness:

- Service Provider Working Group
- Mock SSAE 16 Examinations

Service Provider Working Group

A service provider working group, chaired by the FIAR Directorate, was established to support the execution of the DoD FIAR Guidance. Service providers and reporting entities come together to identify risks, develop common control objectives, and ensure controls designed to meet those risks are operating effectively.

The working group also focuses on educating the service providers and reporting entities on their respective roles, along with identifying challenges to audit readiness, and developing the means for resolving those challenges. The FIAR governance bodies monitor progress, through the use of metrics related to agreements between the service providers and reporting entities regarding their roles and

responsibilities. Once agreement is reached, other metrics measure the development of a strategy and plan, as well as progress executing the plan.

Mock SSAE 16 Examinations

The FIAR Directorate has dedicated resources to perform mock SSAE 16 examinations of specific service provider assessable units. During these mock examinations, experienced IPA auditors are evaluating processes, identifying key risks, testing information technology automated and manual internal controls, and issuing reports on their findings. This approach allows the FIAR Directorate to perform deep-dive reviews in specific areas to understand and resolve audit readiness impediments, resulting in detailed reports that service providers can use to ensure internal control deficiencies are remediated prior to engaging an auditor. Recently, the FIAR Directorate completed mock SSAE 16 examinations on DFAS Military Pay and Contract Pay, as well as on the DCPAS Defense Civilian Personnel Data System.

The remainder of this section of the Report is organized by assessable unit and contains:

- Descriptions of the business and financial activity performed in each assessable unit and the services provided to the reporting entities.
- Roles of the service providers and the reporting entities.
- Quad-charts for each service provider presenting their status and audit readiness plans.



Service Provider Audit Readiness Plans

CIVILIAN PAY

The Civilian Pay assessable unit includes the processes, systems, controls, and documentation used to pay the Department’s civilian employees. Civilian Pay begins with the hiring of federal employees, includes personnel time and attendance during their employment, and ends with their separation from federal employment.

Figure VII-3 presents the Civilian Pay process and key common systems used by the reporting entities, from initiating source documents through recording the pay transactions in the general ledger. The square boxes show which entity plays a role in the manual processes or owns the related system. The green dashed line identifies system hosting services addressed in the DoD-wide Computing Services section.

The Department uses service providers to ensure standardized and efficient processing of civilian pay. The most critical service providers and reporting entities in the Civilian Pay process are DCPAS and DFAS.

Defense Civilian Personnel Advisory Service

DCPAS maintains the Department’s civilian personnel system, the Defense Civilian Personnel Data System (DCPDS), which is used to initiate, approve, and process personnel actions for civilian employees. Additionally, for most reporting entities other than the Military Services, DCPAS hosts the personnel system at a DCPAS-managed data center. Accordingly, reporting entities rely on DCPDS (including relevant system controls) to ensure the completeness, accuracy, validity, and restricted access to civilian personnel actions.

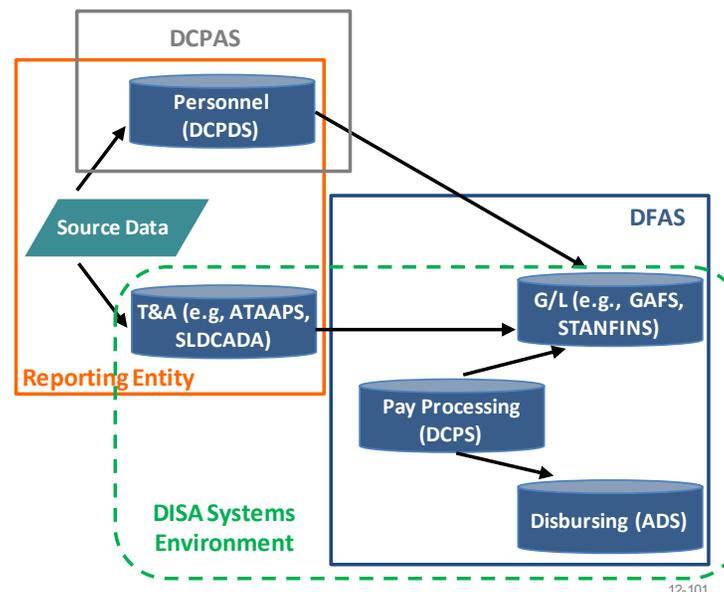
Defense Finance and Accounting Service

DFAS calculates biweekly civilian pay using personnel data obtained from DCPDS combined with time and attendance information provided by the reporting entities. In addition to calculating the biweekly payroll, DFAS disburses the biweekly pay for the reporting

entities. DFAS also records the biweekly pay accounting transactions in the general ledger for some reporting entities.

Because the services performed by DFAS represent a large portion of the Civilian Pay activity, the reporting entities rely on DFAS processes, systems, and controls for a large portion of the civilian pay process. DFAS has undergone a Statement on Auditing Standard No 70 (SAS 70) (predecessor to SSAE 16) examination over the payroll-processing portion of its civilian pay services that resulted in an unqualified opinion. In FY 2012, DFAS underwent an SSAE 16 examination, expanding the scope to include additional pay processing activities and additional elements related to disbursing, and achieved a qualified opinion.

Figure VII-3. Civilian Pay Process



12-101

Service Provider Audit Readiness Plans



Reporting Entities

Accurate civilian pay calculations depend on information about each employee, including the employee's grade, step, location, number of deductions for calculating tax withholding, and many deductions including health insurance, life insurance, and Thrift Savings Plan contributions. In addition, information about hours worked is necessary for calculating the employee's pay. This information is the responsibility of the reporting entities, and when such information is

not accurate, the amount paid will not be accurate. Therefore, the responsibility for audit readiness is shared by the reporting entities and the service providers. As shown in Figure VII-3, the source data along with time and attendance information comes from the reporting entities.

The following quad-charts provide the status of DCPAS and DFAS audit readiness plans for Civilian Pay.

Service Provider Audit Readiness Plans



Civilian Pay – Defense Civilian Personnel Advisory Service (DCPAS)

Overview

- DCPAS develops and implements human resource management solutions that enable DoD customers to ensure the civilian workforce is ready and able to effectively support the warfighter and the national security mission.
- Application controls are a shared responsibility between DCPAS and Component customers.
- MOUs completed between DCPAS and Components.
- DCPAS completed test of general and application controls of DCPDS in 10/2012.

Strategy Summary

- Security management program documentation determined to be effective and up to date.
- Change management processes determined to be controlled by a strong workflow system.
- Business continuity plan is established, approved, and tested.
- Access control documentation is in the process of being strengthened to ensure it reflects the processes that are practiced in DCPDS operations.
- Plan forward is to prepare for initiation of SSAE 16 process to begin in 01/2013. Audit is anticipated to be completed 06/2013.

SSAE 16 Milestone Completion Dates (✓ = Completed)

Milestones	As Planned	Revised
Scope and Timeline Defined and Communicated	✓	✓
Controls Documented	✓	✓
Controls Tested	✓	✓
Corrective Actions	03/2013	12/2012
Reporting Entity Assertion Support	06/2013	01/2013
Assertion	06/2013	01/2013

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	As Planned	Revised
Civilian personnel actions are recorded accurately and are valid	03/2013	01/2013
Material systems achieve the relevant FISCAM IT general and application-level control objectives	03/2013	01/2013

Service Provider Audit Readiness Plans



Civilian Pay – DFAS

Overview

- Using DCPS, DFAS provides payroll services for approximately 1.2 million employees in DoD, Department of Energy, Health and Human Services, and Veterans Affairs.
- In FY 2012, DFAS Federal Civilian Pay Service underwent an SSAE 16 examination and received a qualified opinion.
- Established, resourced, and validated corrective actions to mitigate deficiencies in two material IT applications—DCPS, which processes payroll transactions, and ADS, which processes disbursements, that led to the qualified opinion.
- Automated Time and Attendance and Production System (ATAAPS), a web-based application that provides online entry, update, concurrence, and certification of time and attendance data for civilian employees for various DoD agencies, will be included in the FY 2014 Civilian Pay SSAE 16 examination.
- For the Navy, DFAS reviewed the end-to-end Civilian Pay process and verified key controls that were not covered under the SSAE 16 were included in the DFAS self-review process.
- All required deliverables due from DFAS to support the Navy's Civilian Pay assertion were submitted to the Navy in 06/2012. Navy submitted the assertion to OUSD(C) for review and the assertion is currently under IPA examination.

Strategy Summary

- Improve processes and controls based on the results of the FY 2012 SSAE 16 examination.
- Implement corrective action plans for exceptions qualified under the examination.
- Maintain Civilian Pay audit readiness and undergo annual SSAE 16 examinations.
- Civilian pay related processes such as accruals, field accounting, and financial reporting vary by Component and are being addressed under self-reviews, which consist of performing audit readiness activities in accordance with the DoD FIAR Guidance and, therefore, not included in the scope of the SSAE 16.
- DFAS provides audit readiness support for each Component for these processes and controls in support of customer assertions, including testing payroll general ledger postings and reconciliations for Army, Navy, and Air Force in support of their Civilian Pay assertions.

Service Provider Audit Readiness Plans



SSAE 16 Milestone Completion Dates (✓ = Completed)

Milestones	As Planned	Revised
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	As Planned
Civilian personnel actions are recorded accurately and are valid	✓
Civilian personnel actions are recorded timely	✓
Time and attendance information are recorded correctly and are valid	✓
Payroll is calculated and processed accurately	✓
Payroll obligations, expenses, accruals, and disbursements are valid and recorded accurately and in the correct amounts in the general ledger(s)	06/2014
Payroll obligations, expenses, accruals, and disbursements are recorded in the general ledger timely	06/2014
Stale obligations and accruals are removed from GL timely	06/2014
Material systems achieve the relevant FISCAM IT general and application-level control objectives	✓



Service Provider Audit Readiness Plans

MILITARY PAY

The Military Pay assessable unit includes the processes, systems, controls, and documentation used to pay the Department’s Soldiers, Sailors, Airmen, and Marines. Military Pay begins with the enlistment or commissioning of military personnel, includes personnel and related activity during their service, and ends with their separation from Military Service.

Figure VII-4 presents the military pay process and key common systems used by the three Military Departments—from initiating source documents through recording of the pay activity in the general ledger. The square boxes show which entity plays a role in the manual processes or owns the related system. The green dashed line identifies system hosting services addressed in the DoD-wide Computing Services section.

The Department uses service providers to ensure standardized and efficient processing of military pay. The most critical service providers and reporting entities for military pay are discussed in the following subsections.

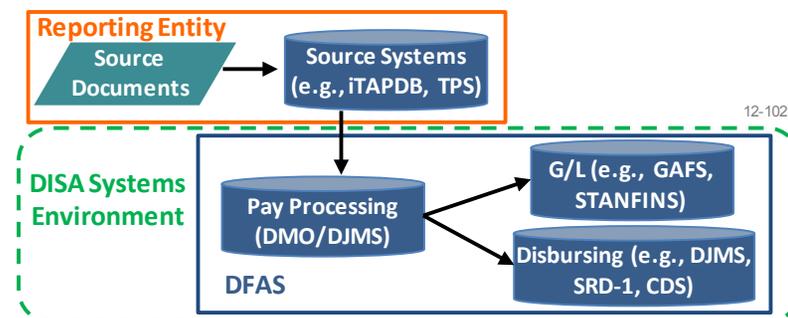
Defense Finance and Accounting Service

DFAS is responsible for processing bimonthly military pay using personnel data obtained from the Military Service personnel systems. In addition to calculating the bimonthly pay, DFAS also disburses the pay for military personnel. DFAS also records the bimonthly accounting transactions in most Military Department general ledgers.

DFAS performs a large portion of the military pay activity. Therefore, the Military Services rely on DFAS processes, systems, and controls for a large portion of their military pay process. DFAS initiated audit readiness activity with the goal of undergoing an SSAE 16 examination on its military pay services.

In addition to the actions of service providers, the Military Services are responsible for ensuring audit readiness of key portions of military pay.

Figure VII-4. Military Pay Process



Reporting Entity

Military pay calculations are dependent on information provided by the Military Services about each military member, such as the member’s military pay grade, years of service, and entitlements to any special pay, such as additional pay when serving in a combat zone or for a special skill. Additional information required includes the member’s withholding for taxes, life insurance, Thrift Savings Plan contributions, and other deductions. Although information about hours worked is not needed to calculate the member’s pay, leave information is required. The accuracy of the service member’s information is the reporting entity’s responsibility and directly affects the accuracy of the military pay payments. Accordingly, the responsibility for Military Pay audit readiness is shared by the Military Services and the service providers. As shown in Figure VII-4, the source data comes from the Military Services.

The following quad-chart provides the status of the DFAS audit readiness plans for Military Pay.

Service Provider Audit Readiness Plans



Military Pay – DFAS

Overview

- Defense Joint Military Pay System-Active Component/Reserve Component (DJMS-AC/RC) and Defense Military Pay Office (DMO) are the applications used for military pay processes.
- During FY 2012, OUSD(C) conducted a mock SSAE 16 audit of the active and reserve/guard component military pay processes. Identified deficiencies within Payroll Input, Payroll Processing, and Payroll Output. Implemented corrective actions to remedy these deficiencies.
- DFAS completed FISCAM assessments in 06/2012 for DJMS-AC/RC and DMO applications. Identified deficiencies within Access Controls, Security Management, and Segregation of Duties. Implemented and validated corrective actions to remedy deficiencies.

Strategy Summary

- DFAS, in partnership with the Army, developed a prototype Military Pay Concept of Operations (CONOPS), establishing standardized roles and responsibilities requirements. Implementation for Army is planned for Quarter 3 of FY 2013. The Department approved the prototype as the standard CONOPS to be used by all reporting entities.
- Corrected and re-validated all business process and IT application deficiencies identified during the mock SSAE 16.
- Engage an IPA in 01/2013 to perform an SSAE 16 examination covering the processing of military pay transactions and IT applications used to record these transactions.
- Provide audit readiness support for the processes and controls in support of the customer assertions. This includes testing payroll general ledger postings and reconciliations for the assertion dates of: Army 06/2014, Navy 03/2013, and Air Force 06/2013.
- Implement a reconciliation of gross pay for Army, Navy, and Air Force general ledgers. Performed a general ledger to DJMS reconciliation for Quarter 1 of FY 2012 for Navy. Developing a process to automate this reconciliation.

Service Provider Audit Readiness Plans



SSAE 16 Milestone Completion Dates (✓ = Completed)

Milestones	As Planned	Revised
Scope and Timeline Defined and Communicated	✓	✓
Controls Documented	✓	✓
Controls Tested	✓	✓
Corrective Actions	✓	✓
Reporting Entity Assertion Support	✓	✓
Assertion	08/2012	11/2012

Note: The table on the following page provides an explanation for the change in the assertion date.

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	As Planned	Revised
Personnel information is recorded accurately and is valid	05/2012	✓
Payroll is calculated and processed accurately	05/2012	✓
Payroll obligations, expenses, accruals, and disbursements are recorded timely	06/2013	06/2014
Payroll obligations, expenses, accruals, and disbursements are recorded at correct amounts in the general ledger(s) and are valid	06/2013	06/2014
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year	06/2013	06/2014
Material systems achieve the relevant FISCAM IT general and application-level control objectives	05/2012	✓

Service Provider Audit Readiness Plans



Explanation for the Changed Assertion Milestone

Military Pay – DFAS	
Original Milestone Date	08/2012
Reason(s) Milestone Was Missed	<p>During a mock SSAE 16 examination and testing of Military Pay Active and Reserve Components conducted from 01/2012 to 06/2012, audit impediments were identified in the following key control objectives: Access Controls, Segregation of Duties, Payroll Processing Setup, Input, Payroll Processing, and Output.</p> <p>Corrective actions and retesting extended past the initial target assertion date before engaging an IPA to render an opinion.</p>
Revised Milestone Date	11/2012
Actions to Ensure Milestone Will Be Met	<p>Specific process and information technology tasks with resources were identified to correct each audit deficiency in a plan of action.</p> <p>Each deficiency along with its corrective actions were tested, validated, and monitored to ensure proper implementation no later than October 31, 2012.</p>
Impact on Achieving Full Auditability by 2017	None

Service Provider Audit Readiness Plans



CONTRACT PAY

The Contract Pay assessable unit includes the processes, systems, controls, and documentation used to pay the Department's contractors for goods and services. Contract Pay begins with the issuance of a contract and includes receipt of goods or services, payment of invoices, and ends with the close-out of the contracts.

Figure VII-5 presents the Contract Pay process and key common systems used by reporting entities from initiating source documents through recording of the contract and vendor pay activity in the general ledger. The square boxes show which entity plays a role in the manual processes or owns the related system. The green dashed line identifies system hosting services addressed in the DoD-wide Computing Services section.

The Department uses service providers to ensure standardized and efficient processing of Contract Pay. The most significant service providers and reporting entities for Contract Pay are DCMA, DFAS, and DLA, as discussed in the following subsections.

Defense Contracts Management Agency

DCMA, in coordination with DFAS, maintains one of the Department's contract management systems used to manage the largest contracts from obligation to closeout. Accordingly, reporting

entities rely on this system, including relevant system controls, to ensure the completeness, accuracy, validity, and restricted access to prevent unauthorized recording of information on contract management activity. In addition to maintaining Department systems, DCMA monitors contractor performance and business systems to ensure that cost, product performance, and delivery schedules comply with the terms and conditions of the contracts.

Defense Finance and Accounting Service

DFAS is responsible for the entitlement and disbursement of contract payments for the reporting entities and, for some reporting entities, DFAS records the contract pay accounting transactions in the general ledgers. Accordingly, reporting entities rely on DFAS entitlement and disbursement processes and systems, including the relevant system controls, to help ensure the completeness, accuracy, validity, and restricted access for contract disbursements and accounting.

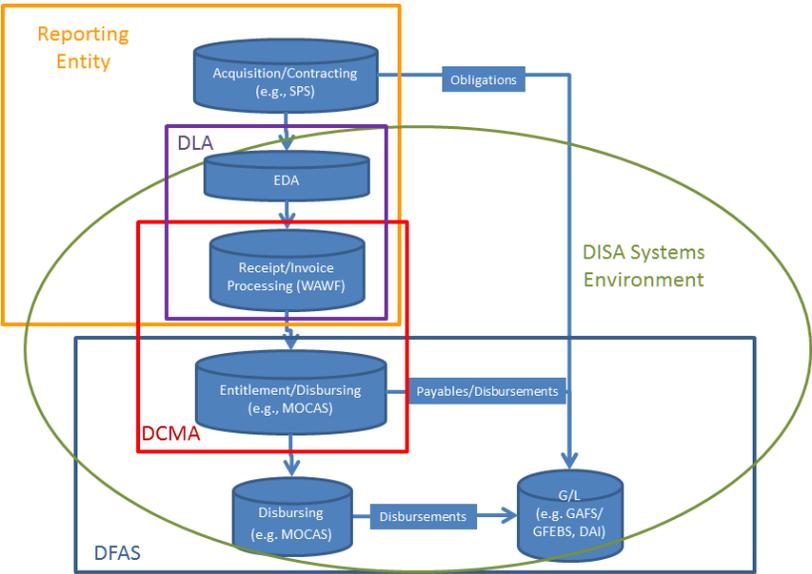
Defense Logistics Agency

DLA maintains some of the Department's contract writing and invoice or receipt processing systems used to initiate, approve, and process contracts and invoices. Accordingly, reporting entities rely on these systems, including their relevant system controls, to help ensure the completeness, accuracy, validity, and restricted access for contracts and invoicing and receipt activity.

Service Provider Audit Readiness Plans



Figure VII-5. Contract Pay Process



Reporting Entity

As is the case with Civilian Pay and Military Pay, the reporting entity shares responsibility with the service providers for correct contract payments. Reporting entity responsibilities begin with ensuring the appropriate contract and accounting data is recorded in the contract writing system. Additionally, contract and vendor payments require reporting entities to perform a three-way match before being disbursed, that is, verify that the invoice, receiving report, and contract terms are in agreement. Figure VII-5 shows that the reporting entity is responsible for each of these documents.

The charts on the following pages provide the status of the DCMA, DFAS, and DLA audit readiness plans for Contract Pay.

Service Provider Audit Readiness Plans



Contract Pay – DCMA

Overview

- DCMA ensures the timely delivery of quality products and services within cost to its customers, payment of contractors, and timely closeout of contracts. The agency also administers contracts that are not paid in the Mechanization of Contract Administration System (MOCAS).
- Established a DCMA FIAR Executive Steering Group (ESG), which is a governance board comprised of agency senior leadership. The ESG provides strategic direction and oversight of the agency's dual roles as service provider and reporting entity.
- Using the Contract Pay end-to-end model, identified sub-processes where DCMA has a service provider role: Commitment and Obligation, Receipt and Acceptance, Invoice Entitlements, Disbursing and Posting Expenditure, and Reconciliation and Contract Closeout.

Strategy Summary

- Completed Discovery, covering the following Contract Pay processes considered in scope: Commitment and Obligation, Receipt and Acceptance, Invoice Entitlement, Disbursing and Posting Expenditure, Reconciliation and Contract Closeout
- Execute MOUs for processes and systems within scope, timelines, and risk/control matrices.
- Maximize participation in Service Provider (SP) Working Group to communicate consolidated SP approach to reporting entities, covering scope of SP agency assertions, as well as subprocess and key control mapping to enhance communication regarding scope and assertion milestones to the Components.
- Acquired contractor support to develop narratives, identify key control objectives, develop test plans, conduct testing, formulate and implement corrective actions, and complete assertion documentation.
- ESG members interface with senior leaders within Component and OUSD(C) organizations to communicate plans and progress and support Component assertions and issues.
- Meetings held between DCMA and DFAS to establish an MOU for joint ownership of MOCAS. DCMA concurred with the draft MOU. DFAS is reviewing the MOU, and upon concurrence, it will be signed by DFAS and DCMA CIOs.

Service Provider Audit Readiness Plans



SSAE 16 Milestone Completion Dates (✓ = Completed)

Milestones	As Planned	Revised
Scope and Timeline Defined and Communicated	✓	✓
Controls Documented	✓	✓
Controls Tested	✓	✓
Corrective Actions	05/2013	
Reporting Entity Assertion Support	06/2013	
Assertion	06/2013	07/2013

Note: The following table provides an explanation for the change in assertion date.

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	As Planned	Revised
Disbursements are recorded accurately and are valid	06/2013	
Material systems achieve the relevant FISCAM IT general and application-level control objectives	06/2012	06/2013
Obligations are recorded accurately and are valid (in MOCAS)	N/A	06/2013
Stale or invalid obligations and accruals are removed.	N/A	06/2013

Explanation for the Changed Assertion Milestone

Contract Pay – DCMA	
Original Milestone Date	06/2013
Reason(s) Milestone Was Changed	The agency has consistently reported that assertion support would be complete June 2013, and the one month slippage to July 2013 is necessary to allow adequate time for review of assertion package, as well as incorporation of any recommended changes.
Revised Milestone Date	07/2013
Actions to Ensure Milestone Will Be Met	Employ contractor support, develop overarching agency execution plan, and monthly reporting of status to the DCMA ESG.
Impact on Achieving Full Auditability by 2017	None

Service Provider Audit Readiness Plans



Contract Pay – DFAS

Overview

- Contract Pay includes contract obligations, delivery of goods and services, entitlement, payment, accounting, and contract closeout. MOCAS is the DoD major contract entitlement system paying complex, multi-year purchases, many of which are related to weapon systems. MOCAS pays 60 percent of the DoD (Contract Pay and Vendor Pay) dollars to contractors totaling more than \$200 billion per year.
- Mapped Contract Pay end-to-end process (SSAE 16 and self-reviews) to define each process and delineate roles and responsibilities for reporting entities and service providers.
- Developed MOCAS process flow charts, narratives, test plans. Tested system and manual controls. Documented test results for the DFAS Contract Pay SSAE 16 assertion scope.
- Conducted mock SSAE 16 audit of the in-scope (Contract Input, Entitlement, Pre-Validation and Disbursing) processes.

Strategy Summary

- Developed MOCAS process flow charts, narratives, and test plans. Tested system and manual controls. Documented test results for the DFAS Contract Pay SSAE 16 assertion scope.
- Completed mock SSAE 16 examination during FY 2012. Identified deficiencies and implementing corrective actions for Contract Input, Invoice processing, System Access, and Segregation of Duties.
- Prepare for a SSAE 16 examination of DFAS Contract Pay processes and controls for Contract Input, Entitlement, Pre-Validation and Disbursing.
- Contract pay related processes, such as accruals, field accounting, and financial reporting, vary by Component and are not included in the scope of the planned SSAE 16. DFAS is providing audit readiness assertion support for Component assertions from 12/2012 to 01/2014.

SSAE 16 Milestone Completion Dates (✓ = Completed)

Milestones	As Planned	Revised
Scope and Timeline Defined and Communicated	✓	✓
Controls Documented	✓	✓
Controls Tested	✓	✓
Corrective Actions	✓	12/2012
Reporting Entity Assertion Support	✓	12/2012
Assertion	10/2012	12/2012

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	As Planned	Revised
Obligations are recorded in the correct period and within 10 days of award (in MOCAS)	✓	✓
Obligations are recorded accurately and are valid (in MOCAS)	✓	✓
Accruals and/or payables are recorded in the correct period and within 10 days of receipt	09/2013	01/2014
Accruals and/or payables are recorded accurately and are valid	09/2013	01/2014

Service Provider Audit Readiness Plans



Audit Readiness Outcomes	As Planned	Revised
Disbursements are recorded in the correct period and within 10 days of payment	09/2013	01/2014
Disbursements are recorded accurately and are valid (in MOCAS)	✓	✓
Obligations and accruals are reviewed, and adjusted as necessary, at least three times per year	09/2013	01/2014
Material systems achieve the relevant FISCAM IT general and application-level control objectives	05/2012	09/2013

Explanation for the Changed Assertion Milestone

Contract Pay – DFAS	
Original Milestone Date	10/2012
Reason(s) Milestone Was Missed	<p>During a simulated SSAE 16 examination of Contract Pay conducted from 3/2012 to 9/2012, audit impediments were identified in following key control objectives: Security Management, Access Controls, Configuration Management, Segregation of Duties, Contract Processing Setup, Contract Pay Input and Invoice Processing.</p> <p>Implementation of corrective actions extended past the initial target assertion date before engaging an IPA to render an opinion.</p>
Revised Milestone Date	12/2012
Actions to Ensure Milestone Will Be Met	Specific corrective actions were identified to correct each audit deficiency. Manual business process corrective actions will be implemented by December 31, 2012.
Impact on Achieving Full Auditability by 2017	None

Service Provider Audit Readiness Plans



Contract Pay – DLA

Overview

- Management of many DoD enterprise business systems, including WAWF and EDA, is the responsibility of DLA as a service provider.
- Progress/completed actions:
 - Communicated scope and timeline for audit readiness activities to the reporting entities. Documented controls and started assessment of DLA-owned DoD-wide systems that are material to Contract Pay. WAWF and EDA impact both the Contract Pay and Vendor Pay assessable units.
 - EDA assertion aligned with WAWF timelines given interrelated functionality of the systems.
 - Established a monthly battle rhythm for sharing progress and lessons learned information via a Systems Audit Working Group comprised of the DLA system PMOs.
- Continue to define control environment with reporting entities to ensure sufficient coverage for testing and corrective action of business application controls.
- Complete assessment of IT general and application controls based on the DoD FIAR Guidance.

Strategy Summary

- DLA Information Operations to perform FISCAM control and FFMIA assessments to determine effectiveness of control environments.
 - Utilize organic and contracted support to perform FISCAM and FFMIA assessments on each system and report findings.
 - Identify deficiencies and address corrective actions, as needed.
 - Provide continuing awareness education and training to system PMOs and functional personnel on achieving and maintaining audit readiness.
- Document the roles and responsibilities for implementation and testing of controls in MOUs with reporting entities.

Service Provider Audit Readiness Plans



SSAE 16 Milestone Completion Dates (✓ = Completed)

Milestones	WAWF As Planned	EDA As Planned	WAWF & EDA Revised
Scope and Timeline Defined and Communicated	06/2012	09/2012	✓
Controls Documented	06/2012	09/2012	✓
Controls Tested	03/2013	06/2013	04/2013
Corrective Actions	09/2013	12/2013	06/2013
Reporting Entity Assertion Support	03/2014	06/2014	08/2013
Assertion	05/2014	08/2014	08/2013

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	As Planned	Revised
Material systems achieve the relevant FISCAM IT general and application-level control objectives		
WAWF	03/2014	08/2013
EDA	06/2014	08/2013



Service Provider Audit Readiness Plans

DISBURSING

Disbursing includes the processes, systems, controls, and documentation used to disburse DoD funds and report fund balances with the Department of the Treasury. After the entitlement systems send the certified payment file to disbursing systems, disbursing begins with processing the disbursement in the disbursing system, including summarizing activity in the Defense Cash Accountability System (DCAS), and ends with reporting to Treasury.

Figure VII-6 presents the disbursing process and key common systems used from initiating source documents through recording of the disbursing activity in the general ledger. The square boxes show which entity plays a role in the manual processes or owns the related system. The green dashed line identifies system hosting services addressed in the DoD-wide Computing Services section.

The Department uses service providers to ensure standardized and efficient disbursing processes. The most significant service providers for disbursing are DFAS and DLA.

Defense Finance and Accounting Service

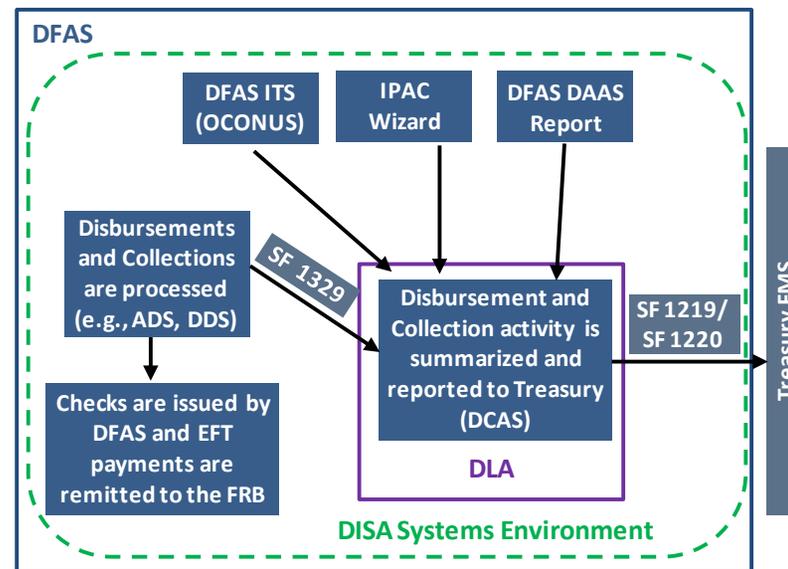
DFAS is responsible for processing disbursements for the reporting entities. DFAS prepares and reports monthly fund balances to Treasury, and issues checks and remits electronic fund transactions to the Federal Reserve Bank. In addition, DFAS records disbursement transactions in the general ledgers for some reporting entities. Accordingly, reporting entities rely on DFAS disbursement processes and systems, including the relevant system controls to help ensure the completeness, accuracy, validity, and restricted access for disbursements and accounting.

Defense Logistics Agency

DLA maintains DCAS, which is used to summarize and report disbursements and collections to Treasury. Accordingly, reporting entities rely on DLA to ensure the completeness, accuracy, validity, and restricted access for disbursing activity. The DoD-wide Computing Services section provides DLA audit readiness plans for DCAS.

The following chart provides information on the status of DFAS audit readiness plans for disbursing.

Figure VII-6. Disbursing Process



12-103

Service Provider Audit Readiness Plans



Disbursing – DFAS

Overview

- DFAS disbursing is estimated to account for \$340 to \$365 billion in FY 2012, and \$361 billion in FY 2011.
- The Standard Disbursing Initiative (SDI) selected the Automated Disbursing System (ADS) as the system solution based on costs, technical capabilities, and risks. This initiative will provide a single disbursing capability for both tactical (DDS) and enterprise (ADS) disbursing services.
- During FY 2012, DFAS began to prepare for an SSAE 16 in FY 2013 of processes and controls for disbursing Military Pay, Civilian Pay, Retired Pay, and Vendor Pay, and ADS general and application controls. DFAS will be assessing and remediating manual and IT controls over disbursing activity outside the scope of the current SSAE 16.
- Adjusted testing methods, procedural reviews, and scoping documents to conform to expected requirements based on lessons learned from the Civilian Pay attestation engagement. Lessons included the inclusion of thoroughly documented edit checks in ADS, updated interface agreements with all systems interacting with ADS, and obtaining access forms for authorized ADS users.

Strategy Summary

- During pre-assertion work, deficiencies were discovered in access controls, process documentation, business applications, and various payment file operations.
- Incorporated all in-scope manual process and IT corrective action plans resulting in a retest and identification of effective controls.
- DFAS is performing audit readiness activities in accordance with the DoD FIAR Guidance to document and test processes and controls not in the current SSAE 16 scope. For these unique services, DFAS is providing support for Component assertions from 03/2013 to 01/2014.
- Disbursing assertion documentation provided to OUSD(C) for review prior to the SSAE 16 engagement, including a control matrix with test results and recommended corrections.
- Disbursing related processes, such as field accounting and financial reporting, vary by Component and are not included in the scope of the planned SSAE 16. DFAS provides audit readiness assertion support to each Component for these processes and controls.

Service Provider Audit Readiness Plans



SSAE 16 Milestone Completion Dates (✓ = Completed)

Milestones	As Planned	Revised
Scope and Timeline Defined and Communicated	✓	✓
Controls Documented	✓	✓
Controls Tested	✓	✓
Corrective Actions	✓	✓
Reporting Entity Assertion Support	06/2012	11/2012
Assertion	08/2012	12/2012

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	As Planned
Disbursements are recorded timely	01/2014
Disbursements are recorded accurately and are valid	01/2014
Material systems achieve the relevant FISCAM IT general and application-level control objectives	✓

Explanation for the Changed Assertion Milestone

Disbursing – DFAS	
Original Milestone Date	08/2012
Reason(s) Milestone Was Missed	<p>During pre-assertion review of Disbursing SSAE 16 processes and key control objectives, additional IT applications and control activities were identified as significant to the scope of the SSAE 16 that needed to be further evaluated.</p> <p>Testing of additional control activities and implementation of corrective actions will be completed by December 31, 2012.</p>
Revised Milestone Date	12/2012
Actions to Ensure Milestone Will Be Met	Additional resources are engaged to ensure testing and implementation of corrective actions are completed by December 31, 2012.
Impact on Achieving Full Auditability by 2017	None

Service Provider Audit Readiness Plans



FINANCIAL REPORTING

Financial Reporting includes the processes, systems, controls, and documentation used to prepare DoD financial statements. After the reporting entities upload their trial balances to the Defense Departmental Reporting System (DDRS), financial reporting begins with cross-walking and mapping the data for preprocessing, including validating and adjusting data in DDRS and ends with generating reports for the financial statements.

Figure VII-7 presents the financial reporting process and key common systems used by reporting entities, from the creation of trial balances through reporting on the Department's financial statements. The square boxes show which entity plays a role in the manual processes or owns the related system. The green dashed line identifies system hosting services addressed in the DoD-wide Computing Services section.

The Department uses service providers to ensure standardized and efficient financial reporting processes. The most significant service providers for financial reporting are DFAS and DLA.

Defense Finance and Accounting Service

DFAS is responsible for cross-walking, reconciling, validating, and adjusting the trial balances for the reporting entities. Accordingly, reporting entities rely on DFAS financial reporting processes and systems, including the relevant system and business controls to help ensure the completeness, accuracy, validity, and restricted access for financial reporting.

Following Figure VII-7 is a DFAS chart providing its status and audit readiness plans for financial reporting.

Defense Logistics Agency

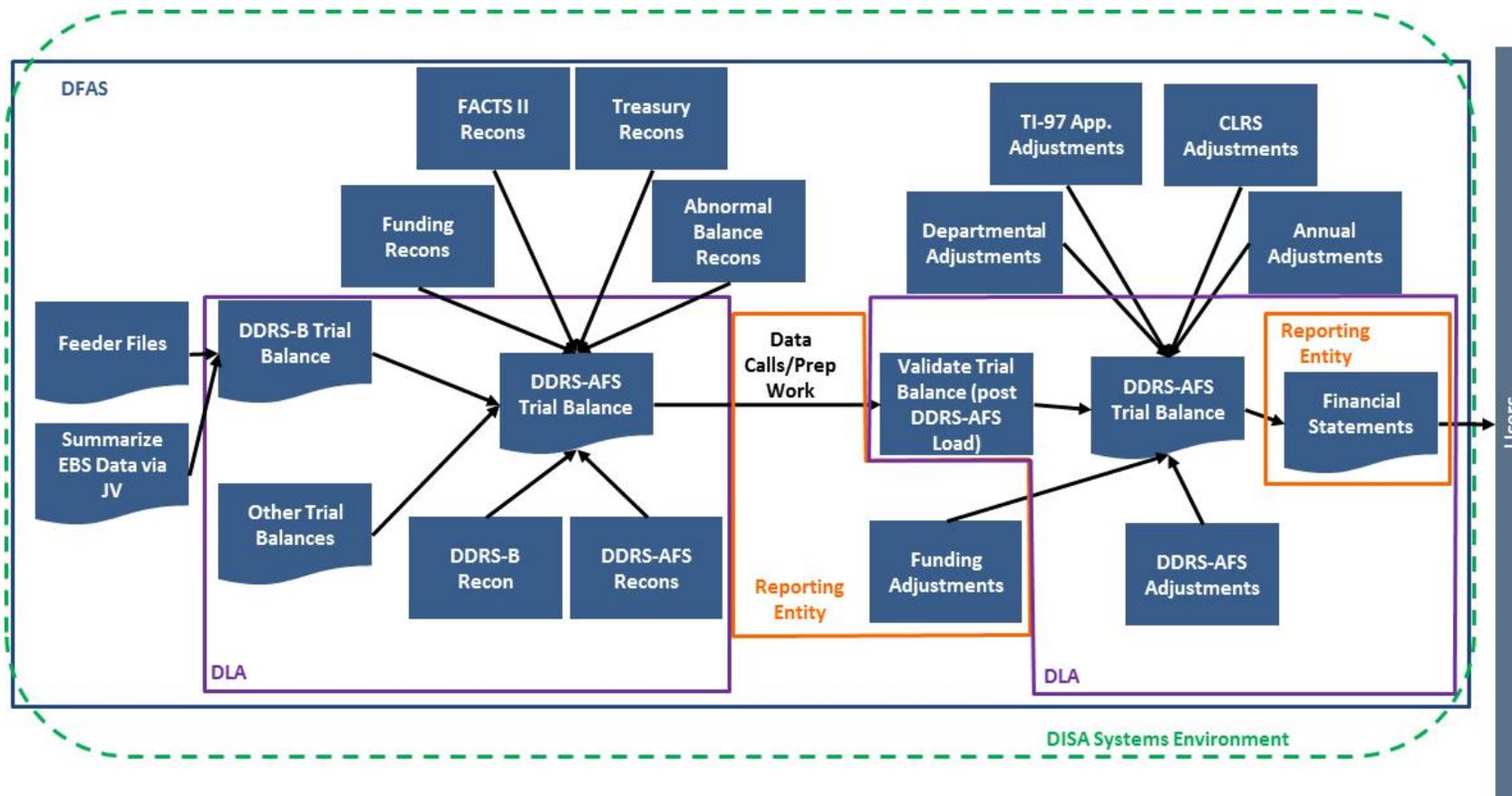
DLA maintains the Defense Departmental Reporting System-Audited Financial Statements (DDRS-AFS) and Defense Departmental Reporting System-Budgetary (DDRS-B), systems which are used to standardize the DoD departmental reports based on the U.S. Government Standard General Ledger (USSGL). Accordingly, reporting entities rely on DLA to ensure DDRS-AFS and DDRS-B are maintained in a controlled manner and access to programs and data are appropriately restricted.

See the DLA chart in the DoD-wide Computing Services assessable unit, which follows financial reporting, for DDRS audit readiness status and plans.



Service Provider Audit Readiness Plans

Figure VII-7. Financial Reporting Process



Service Provider Audit Readiness Plans



Financial Reporting – DFAS

Overview

- Financial Reporting is the process by which DFAS produces DoD financial statements. This includes transaction-level processing and analysis, trial balance processing, trial balance and general ledger account validation, analysis, adjustments, and generation of the financial statements.
- Defense Departmental Reporting System (DDRS) is the DoD reporting system that produces Standard Financial Information Structure (SFIS) compliant financial statements and budgetary reports for the Military Services and Defense Agencies. DDRS is fully deployed for the audited financial statements and 96 percent deployed for budgetary reporting.
- DDRS provides timely and relevant financial data to decision makers and provides the analytical tools required to efficiently and effectively produce DoD financial statements and budgetary reports.
- During FY 2012, DFAS began audit readiness activities to prepare for an SSAE 16 in FY 2014 of DoD-wide DFAS processes and controls for processing, validation, analysis, adjustments, and generation of the financial statements.
- DFAS will continue to provide audit assertion support for Component unique financial reporting processes and controls that are not covered by the SSAE16 from 09/2013 to 03/2014.

Strategy Summary

- Completed high-level process maps for the Financial Reporting assessable unit. Defined the SSAE 16 project scope.
- DFAS Financial Reporting SSAE 16 pre-assertion work includes identifying, documenting, remediating, and assessing key controls, key control objectives, and risks of the financial reporting processes.
- Document and test manual and system controls, including general and application controls relevant to financial reporting to ensure the suitability of design and operating effectiveness. DFAS will partner with DLA, who owns DDRS, to accomplish this objective.
- Analyze test results and implement corrective action plans where deficiencies are found.
- Identify, document, remediate, and assess key controls, key control objectives, and risks of the Financial Reporting assessable unit processes that fall outside the SSAE 16 scope.

Service Provider Audit Readiness Plans



SSAE 16 Milestone Completion Dates (✓ = Completed)

Milestones	As Planned
Scope and Timeline Defined and Communicated	12/2012
Controls Documented	03/2013
Controls Tested	03/2013
Corrective Actions	04/2013
Reporting Entity Assertion Support	07/2013
Assertion	08/2013

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	As Planned
Trial balances are loaded into reporting system timely	03/2013
Trial balances are complete and accurately loaded into reporting system	03/2013
Trial balance data is loaded into DDRS-AFS timely	04/2013
Trial balance data is accurately loaded into DDRS-AFS	04/2013
All adjustments are recorded timely	04/2013
All adjustments are recorded accurately and are valid	04/2013
The Statement of Budgetary Resources, related footnotes and accompanying information is completed timely	07/2013
The Statement of Budgetary Resources, related footnotes and accompanying information is accurate and valid	07/2013
All material systems achieve the relevant FISCAM IT general and application-level general control objectives	07/2013

Service Provider Audit Readiness Plans



DOD-WIDE COMPUTING SERVICES

Defense Information Systems Agency

The Defense Information Systems Agency provides application hosting services for the Department's service providers and the DoD Components. As a result, DISA is responsible for most of the Information Technology General Controls (ITGCs) over the computing environment in which many critical financial, personnel, and logistics applications reside. In order for the service providers and Components to rely on the automated controls and documentation within these applications, it is essential that ITGCs be appropriately designed and operating effectively.

DISA implemented corrective actions to remediate issues identified during Statement of Auditing Standard No. 70 examinations over ITGCs at its System Management Centers, and received an unqualified opinion an SSAE 16 examination in June 2012.

Defense Logistics Agency

As a service provider, DLA maintains and operates systems that support reporting entity assessable unit processes. These systems include DDRS-B, DDRS-AFS, and DCAS. Accordingly, DLA must ensure the automated controls and documentation for these applications support auditability and that ITGCs are appropriately designed and operating effectively.

The following charts provide the status of the DISA and DLA audit readiness plans for DoD-wide Computing Services.

Service Provider Audit Readiness Plans



DoD-Wide Computing Services – DISA

Overview

- Since 2005, DISA hosting services have had SAS 70/SSAE 16 audits annually that review general controls surrounding the hosted information systems.
- Received an unqualified opinion in 06/2012.

Strategy Summary

- Implementing a change management system in Quarter 3 of FY 2013.
- Conducting a SSAE 16 audit in FY 2013.

SSAE 16 Milestone Completion Dates (✓ = Completed)

Milestones	As Planned
Scope and Timeline Defined and Communicated	✓
Controls Documented	✓
Controls Tested	✓
Corrective Actions	✓

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	As Planned
Material systems achieve the relevant FISCAM IT general control objectives	✓

Service Provider Audit Readiness Plans



DoD-Wide Computing Systems – DLA

Overview

- Management of many DoD enterprise business systems, material to SBR assessable units, such as Financial Reporting, is the responsibility of DLA as the service provider.
- Progress/completed actions:
 - Communicated scope and timeline for audit readiness activities. Documented controls and began the assessment of DLA enterprise systems.
 - Established a monthly battle rhythm for sharing progress and lessons learned information via a Systems Audit Working Group comprised of the DLA system PMOs.
- Continue defining control environment with reporting entities and working with other service providers to ensure complete testing and corrective action of business application controls.
- Complete assessment of IT general and application controls.

Strategy Summary

- DLA Information Operations to perform FISCAM control and FFMIA assessments to determine effectiveness of control environments.
 - Utilize organic and contracted support to perform FISCAM and FFMIA assessments on each system and report findings.
 - Identify deficiencies and address corrective actions, as needed.
 - Provide continuing awareness education and training to system PMOs and functional personnel on achieving and maintaining audit readiness.
- Document the roles and responsibilities for implementation and testing of controls in MOUs with reporting entities and other service providers, as appropriate.

SSAE 16 Milestone Completion Dates (✓ = Completed)

Milestones	DDRS, DCAS, DAI	DAAS/GEX	DTS, EFD
Scope and Timeline Defined and Communicated	✓	✓	✓
Controls Documented	✓	✓	✓
Controls Tested	03/2013	03/2013	06/2013
Corrective Actions	06/2013	06/2013	09/2013
Reporting Entity Assertion Support	07/2013	09/2013	12/2013
Assertion	08/2013	12/2013	03/2014

Completion Dates for Outcomes (✓ = Completed)

Audit Readiness Outcomes	As Planned
Material systems achieve the relevant FISCAM IT general and application-level control objectives	
DDRS, DCAS, & DAI	08/2013
DAAS/GEX	12/2013
DTS & EFD	03/2014

Service Provider Audit Readiness Plans



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VIII. ENTERPRISE RESOURCE PLANNING SYSTEMS AND AUDIT READINESS

The Department's ability to produce auditable financial statements is, in part, dependent on establishing an audit ready systems environment that includes Enterprise Resource Planning systems (ERPs). Because of the key role ERPs play in audit readiness, this section of the Report provides the deployment status and other information pertaining to each ERP.

The DoD Components' plans for completing deployment of the ERPs vary, and for some, the projected dates extend beyond the accelerated FY 2014 SBR audit readiness goal. As a result, the FY 2014 SBR audit readiness goal will include a combination of ERPs and legacy systems.

Overcoming material weaknesses is a major part of achieving unqualified audit opinions for every Component. Each material weakness is affected by a number of internal controls, which if performed properly and consistently, would mitigate the associated material weakness.

Effective controls are essential to audit readiness and minimize the amount of testing to be performed by auditors in future audits. Therefore, a major goal of each ERP implementation is to embed as many internal controls as possible within the systems to reduce the possibility of human error, and result in auditable, repeatable, and automated processes on which auditors can rely. Progress toward this end has been substantial, but the overall extent to which internal controls have been embedded within an ERP system has largely been dependent on system and program maturity, as well as the intended purpose of the system.

This section of the Report captures the extent to which key internal controls are currently or planned to be embedded in the respective

system configurations. Ultimately, the intent is to better demonstrate how 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.

It is important to note that this section of the Report is evolving and will continue to be refined with subsequent reports. The Integrated Personnel and Pay Systems (IPPS-Army and Air Force IPPS) will most likely not be fully deployed in time to impact SBR audit readiness in FY 2014 or full audit readiness by September 30, 2017.

ERP AUDIT READINESS OVERSIGHT

There are numerous on-going activities focused on ERP systems that help to ensure the deployments support FIAR goals, including:

- DoD Deputy Chief Management Officer, Military Department Deputy Chief Management Officers, and the DoD and Military Department Chief Information Officers, who oversee systems modernization, participate in the FIAR Governance Board and other FIAR oversight committees.
- FIAR requirements and issues are addressed by the new DoD Investment Review Board (referred to as the Defense Business Council or DBC) and, at times, drive Board decisions and recommendations.
- FIAR requirements are also used by financial system Configuration Control Boards to prioritize Systems Change Requests to support audit readiness. Systems Change Requests representing changes to an ERP's configuration that directly affect or enhance internal controls in support of auditability have been prioritized by each Service and systems' governance boards. When introduced into system production, the Systems Change Requests will aid in addressing material weaknesses.
- The Business Integration Office within the OUSD(C) provides systems oversight responsibilities that include actively monitoring Component efforts to achieve audit ready system

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environments and the deployment of the ERPs.

- Audit-ready systems environment requirements are incorporated in the DoD FIAR Guidance, requiring testing and achieving effective FISCAM general and application controls.

The plans and timeframes for achieving an audit-ready systems environment are integrated in the Components' FIPs. The planned completion dates for achieving effective controls of the material systems are presented for each Component's SBR assessable unit of this Report.

PROGRESS OVERVIEW

Multiple business systems, and in particular the ERPs, serve as the business backbone of operations for the Military Departments and other Defense organizations. Each ERP implementation is at a different stage of its lifecycle, and most have experienced challenges as they have moved from design to implementation. The Department continues to take steps to put itself on a path to success.

Over the past two years, the Department has implemented a number of improvements, incorporating lessons learned into its overall business systems acquisition process, individual ERP system programs, and overarching business processes. These improvements are generating results, and capability is being delivered to the Department's users. Additionally, these improvements, coupled with recent changes to the Investment Review Board process, facilitate the retirement of legacy systems. While the Department recognizes additional opportunities for improvement, the ERP programs remain a vital part of the Department's long-term effort to improve its overall operations and develop a sustainable business environment that can be cost-effectively audited.

Many of the Department's ERP acquisition programs have already delivered important capability to DoD users, enabling improved business outcomes, such as:

- Army's Logistics Modernization Program (LMP) Increment 1 retired more than 40 legacy inventory and asset systems,

reducing from 4–5 days to 8–12 hours the time it takes Army maintenance planners to schedule Material Command to complete its year end close.

- Air Force Defense Enterprise Accounting and Management System (DEAMS) technology demonstration, currently fielded at Scott Air Force Base and DFAS in Limestone, Maine, with deployment underway at McConnell Air Force Base during Quarter 1 of FY 2013, reducing late interest payments within DEAMS from approximately \$73.50 per \$1 million to approximately \$8.67 per \$1 million.
- Global Combat Support System – Marine Corps (GCSS-MC) Release 1.1 is fielded to 85 percent of the Marine Corps. As a result, "Time to First Status" was reduced from over 36 hours to an average of 10 hours, "Order Ship Time" was reduced 26 percent, "Repair Cycle Time" was reduced 43 percent, and "Logistics Response Time" was reduced 40 percent.

The Department's modernized systems environment provides the opportunity for improvements in financial management and accounting operations by providing users with standardized financial and business processes, a single authoritative data source, and real-time posting to external sources. In the past, the Department relied on manually-generated summary information. Now, increased access to transaction-level data helps sustain audit readiness and provides leaders with information for better business decisions. The Components are committed to realizing this significant potential through the ERPs.

MATERIAL WEAKNESSES

The ERP implementations have many goals, one of which is addressing long-standing financial management weaknesses. A material weakness occurs when one or more internal controls, put in place to prevent financial irregularities, is considered to be ineffective and could lead to a financial statement material misstatement. Eliminating material weaknesses is a critical step to

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achieving audit readiness; therefore, the Department continues to monitor activities that mitigate and eliminate them.

The Department's management-identified material weaknesses are determined by assessments of internal controls, as required by the Federal Financial Management Improvement Act. Presently, there are 18 material weakness areas representing a consolidation of both management-identified and auditor-identified material weaknesses.

Figure VIII-1 lists the material weakness areas by end-to-end business process, which are consistent with how Component FIAR work is organized, and identifies which ERP systems are addressing the material weaknesses by embedding associated internal controls as part of their system configurations. The end-to-end business

processes are identified because the ERPs accomplish a variety of sub-processes and functions arrayed across the end-to-end processes. The material weakness areas in Figure VIII-1 are the same material weakness areas reported in the FY 2012 DoD Agency Financial Report.

To demonstrate the critical linkage between the ERP deployments, elimination of material weaknesses, and auditability, the Department is capturing, overseeing, and providing in this Report charts that identify the number of key control objectives by assessable unit for each ERP. In addition, details on each ERP system are provided on subsequent pages by Component.

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Figure VIII-1. ERP Internal Controls and Areas of Material Weakness by End-to-End Business Process

Areas of Material Weakness	Army				DON		Air Force		ODOs
	GFEBs	LMP	GCSS-A	IPPS-A	Navy ERP	GCSS-MC	DEAMS	AF-IPPS	DAI
Budget to Report End-to-End Business Process									
Appropriations Received	●	●	—	—	●	—	●	—	●
Fund Balance with Treasury	●	●	●	—	●	—	●	—	●
Financial Reporting Compilation	●	●	●	—	●	—	●	—	●
Intragovernmental Eliminations	●	●	—	—	●	—	●	—	●
Hire to Retire End-to-End Business Process									
Health Care Liabilities	●	●	—	—	—	—	●	—	—
Civilian Pay	●	●	—	—	●	—	●	—	●
Military Pay	●	●	—	●	—	—	—	●	—
Order to Cash End-to-End Business Process									
Accounts Receivable	●	●	●	—	●	—	●	—	●
Procure to Pay End-to-End Business Process									
Contracts	●	●	—	—	●	—	●	—	●
Requisitions (MILSTRIP)	●	●	—	—	●	●	●	—	●
Reimbursable Work Orders – Grantor	●	●	—	—	●	—	●	—	●
Transportation of People	●	●	—	—	—	—	●	—	●
Acquire to Retire End-to-End Business Process									
Military Equipment	●	●	●	—	●	●	—	—	●
General Purpose Equipment	●	●	●	—	●	●	—	—	●
Real Property	●	●	—	—	—	—	—	—	—
Environmental Liabilities	●	●	—	—	—	—	●	—	—
Plan to Stock End-to-End Business Process									
Inventory	—	●	—	—	●	●	—	—	—
OM&S	●	—	●	—	●	●	—	—	—

- Internal control objectives to address the associated material weaknesses are embedded within the system configurations.
- Not applicable. Internal control objectives for a specific material weakness are not intended to be configured within that specific system.

THE DEPARTMENT OF THE ARMY

Army auditability is dependent on establishing an audit ready systems environment that includes deploying ERPs and interfacing them with existing legacy business and financial systems. The Army ERPs are identified below and in Figure VIII-2, and there are charts that follow for each ERP that provide detailed information. Figure VIII-2 also identifies the Army's audit readiness plans by wave and the changes to milestones from the baseline established in the November 2010 FIAR Plan Status Report or from when first reported.

- General Fund Enterprise Business System (GFEBs)
- Logistics Modernization Program (LMP)
- Global Combat Support System – Army (GCSS-A)
- Integrated Personnel Pay System – Army (IPPS-A)

The 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. The full deployment of GFEBs was achieved in eight waves to thousands of users across the globe. As planned, the GFEBs will ultimately subsume over 107 legacy systems when fully shutdown. Deployment of GFEBs was completed in July 2012.

The LMP, the Army Working Capital Fund ERP, delivers a fully integrated suite of software and business processes that streamline the maintenance, repair, overhaul and planning, finance, acquisition, and supply of weapon systems, spare parts, services, and material to the warfighter. Fundamental to the Army's transformation efforts, LMP replaces a stove-piped legacy systems environment and enables the Army to leverage the power of precise, up-to-the-minute, enterprise-wide data, and improved business processes. The Army

completed in July 2012 its scheduled plan to initiate Army Working Capital Fund and LMP discovery, evaluation, and testing audit readiness activities, similar to the Army General Fund and GFEBs activities.

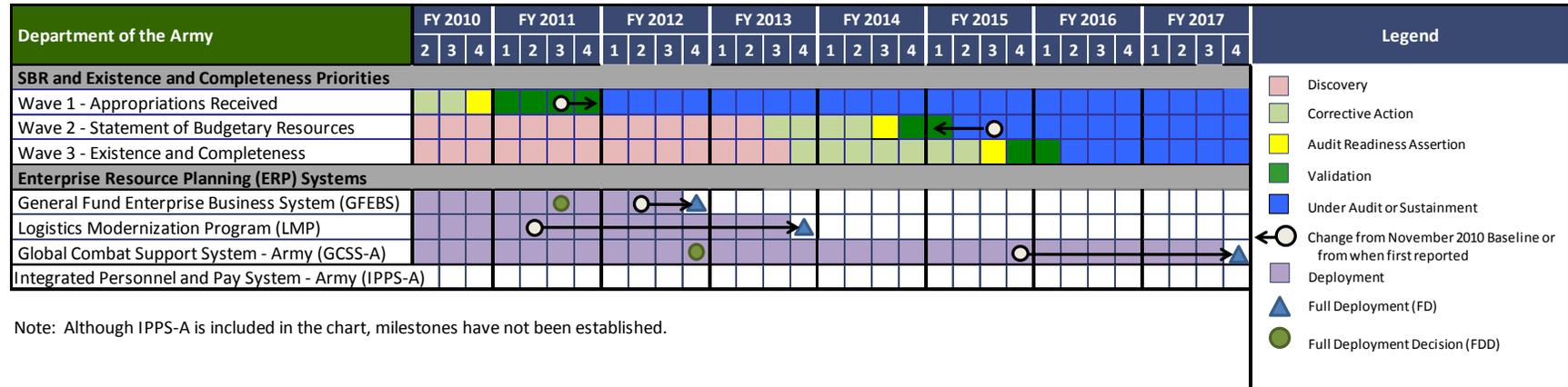
The GCSS-A integrates the Army supply chain, obtains accurate equipment readiness, supports split base operations, and receives up-to-date status on maintenance actions and supplies in support of the warfighter. The Army has deployed GCSS-A to two locations, Fort Irwin and Fort Bliss, and will have GCSS-A fully deployed by Quarter 4 of FY 2017.

The IPPS-A is the Army's planned integrated personnel and pay system that will ultimately subsume legacy personnel and pay systems and serve as a critical element of the Army's future systems environment. The Army is employing an incremental development and implementation strategy and approach for IPPS-A, capitalizing on Acquisition Reform initiatives to streamline efforts and release capability to Soldiers at the earliest possible date. The IPPS-A will be developed and implemented in two increments with multiple releases. The IPPS-A is pursuing a Milestone C decision for Increment I and a Milestone B decision for Increment II in Quarter 1 of FY 2013.

The Army has a federated approach to ERP systems implementation, particularly for GFEBs and GCSS-A. The GFEBs and GCSS-A deployment teams work together on the solution design to minimize ERP to ERP transaction-level interfaces. The Army's deployment of ERPs encompasses more than audit readiness. While auditable financial statements will be a vital output, more importantly the systems will allow Army leaders to more effectively manage its resources and accomplish their mission. The deployment of ERPs will result in a more efficient and effective organization, as business processes will be standardized and include effective automated internal controls.

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Figure VIII-2. Army Audit Readiness and ERP Plans



General Fund Enterprise Business System (GFEBS)

Overview

- GFEBS is the Army’s General Fund current and future 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. The deployment schedule for GFEBS included eight waves to thousands of financial users across the globe. GFEBS serves as the source for consolidated Army General Fund financial reporting. Releases were deployed by functionality.
- In 07/2012, the Army completed GFEBS deployment. GFEBS has more than 53,000 users at 227 locations in 71 countries and impacts every Army organization and function.
- Army challenges are not unique and are typical of a large-scale, IT system deployment. Internal assessments are underway to ensure GFEBS meets all audit readiness requirements.

Program Cost

Program Cost by Appropriation	To Date (\$M)	At Completion (\$M)	
		As of 05/2012	Revised
RDT&E	\$379.8	\$379.4	\$379.8
Procurement	\$243.1	\$286.3	\$287.4
Operations and Maintenance	\$280.6	--	\$559.7

Impact on Legacy Systems

Legacy System Environment	# of Systems
Legacy Systems Sunset to Date	26
Legacy Systems Scheduled for Sunset	107
Legacy Systems Interfaced to Date	45
Legacy Systems to Be Interfaced	47

Information Technology Controls (✓ = Completed)

Controls	Tested	Completion
Security Management Controls	12/2012	03/2013
Access Controls	✓	✓
Configuration Management Controls	✓	✓
Segregation of Duties Controls	12/2012	03/2013
Contingency Planning Controls	12/2012	03/2013
Completeness Controls	12/2012	03/2013
Accuracy Controls	12/2012	03/2013
Validity Controls	12/2012	03/2013
Confidentiality Controls	12/2012	03/2013
Availability Controls	12/2012	03/2013

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GFEBs Implementation Milestone and Audit Readiness Information

Milestones	Functions	Baseline	Revised	Percent of Total Budget Authority
Milestone A		06/2005		0
Milestone B		03/2008		0
Release/Wave 1	General Ledger Module (GLM), Budget Resource Management (BRM), Pay Management (PayM), Receivables Management (RecM)	04/2009		0.5
Milestone C	GLM, BRM, PayM, RecM, Cost Management (CM), Fund Balance with Treasury Mgmt (FBWTM)	05/2009		0.6
Release/Wave 2	GLM, BRM, PayM, RecM	04/2010		2
Release/Wave 3	GLM, BRM, PayM, RecM, CM, FBWTM, Property Management (PropM)	10/2010		3
Full Deployment Decision	GLM, BRM, PayM, RecM, CM, FBWTM	03/2011	06/2011	50
Full Deployment	GLM, BRM, PayM, RecM, CM, FBWTM, PropM	01/2012	07/2012	70

GFEBs Financial Reporting Impact

GFEBs serves as a key source for consolidated Army General Fund financial reporting.

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GFEB Status of Key Control Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Key Control Objectives for Assessable Unit	# of Key Control Objectives Planned for ERP	Tested	Completion
Statement of Budgetary Resources				
Contract Pay	29	17	03/2013	06/2014
Supplies (MILSTRIP)	29	12	03/2013	06/2014
Vendor Pay	29	17	03/2013	06/2014
Reimbursable Work Order-Grantor	29	17	03/2013	06/2014
Fund Balance with Treasury	14	0		
Appropriations Received	5	0		
Military Pay	13	2	03/2013	06/2014
Civilian Pay	13	2	03/2013	06/2014
Reimbursable Work Order-Acceptor	12	5	03/2013	06/2014
Other Budgetary Activity	8	TBD	03/2013	06/2014
Financial Reporting	10	TBD	03/2013	06/2014
Existence and Completeness				
Military Equipment	10	TBD	TBD	12/2013
General Equipment	10	TBD	TBD	12/2013
Real Property	10	TBD	03/2013	09/2014
OM&S	10	0		
Inventory	10	0		

Logistics Modernization Program (LMP)

Overview

- LMP is an accountable property system of record for a considerable portion of Army OM&S, specifically Class V (Ammunition) assets.
- Sustain, monitor, measure, and improve the modernized National-level logistics support solution.
- Deliver new and enhanced logistics capabilities, and support DoD and Army ERP integration efforts.
- Transition services from contractor to organic support without system performance degradation.

Program Cost

Program Cost by Appropriation	To Date (\$M)	At Completion (\$M)	
		As of 05/2012	Revised
AWCF – CIP	\$736.6	\$1,096.9	\$1,164.4
AWCF – OPS	\$892.7	\$3,082.1	\$3,051.1
OMA	\$91.6	\$189.1	\$188.2
BRAC	\$3.1	\$3.1	

Note: To Date as of August 21, 2012.

Impact on Legacy Systems

Legacy System Environment	# of Systems
Legacy Systems Sunset to Date	2 (8 CCSS, 42 SDS)*
Legacy Systems to Be Sunset	1 (CCSS NAMI)*
Legacy Systems Interfaced to Date	72
Legacy Systems to Be Interfaced	0**

* 8 CCSS and 42 SDS refer to the number of instances of these legacy systems.

** None planned. Dependent on Business Domain requirements to interface/subsume additional systems.

Information Technology Controls (✓ = Completed)

Controls	Tested	Completion
Security Management Controls	12/2012	06/2013
Access Controls	12/2012	06/2013
Configuration Management Controls	12/2012	06/2013
Segregation of Duties Controls	12/2012	06/2013
Contingency Planning Controls	12/2012	06/2013
Completeness Controls	12/2012	06/2013
Accuracy Controls	12/2012	06/2013
Validity Controls	12/2012	06/2013
Confidentiality Controls	12/2012	06/2013
Availability Controls	12/2012	06/2013

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LMP Implementation Milestones and Audit Readiness Information

Milestones	Functions	Baseline	Revised	Percent of Total Budget Authority
CECOM Go-Live	General Ledger Mgmt (GLM), Budgetary Resource Mgmt (BRM), Payment Mgmt (PayM), Receivable Management (RecM)	07/2003		
AMCOM Go-Live	General Ledger Mgmt (GLM), Budgetary Resource Mgmt (BRM), Payment Mgmt (PayM), Receivable Management (RecM)	03/2009		
FFMIA Compliance (Blue Book ver 6.0)	Demonstration of LMP FFMIA Compliance with the Army Audit Agency – LMP determined to be “Substantially Compliant”	04/2007		
SAP Upgrade from 4.6c to ECC 6.0	General Ledger Mgmt (GLM), Budgetary Resource Mgmt (BRM), Payment Mgmt (PayM), Receivable Management (RecM)	10/2009		
TACOM/JM&L/ASC Go-Live	General Ledger Mgmt (GLM), Budgetary Resource Mgmt (BRM), Payment Mgmt (PayM), Receivable Management (RecM)	10/2010		
BEA Compliance (ver 8.0)	Program Compliance	09/2011		
03/2011 Functional Release	SFIS 8.0 Historical Financial Records Update	03/2011		
12/2011 Functional Release	GFEBs Interfaces , SFIS Compliance Capability, OSD Functional Financial Requirements, Constructive Receipts, improved Fed/Non Fed determination	12/2011		
BEA Compliance (ver 9.0)	Program Compliance	N/A	N/A ¹	
Implement Governance, Risk and Compliance capability	Enhanced Access Controls and Segregation of Duties Management	12/2012	11/2016 ²	
SFIS Compliance (ver 8.0)	Demonstrate remaining SFIS Business Rules with DCMO/BTA	12/2011	12/2012 ³	
FFMIA Compliance (Blue Book ver Jan 2011)	Demonstration of LMP FFMIA Compliance with the Army Audit Agency	12/2011	10/2013 ⁴	

¹ LMP is compliant with BEA 8.0. Per OSD guidance, LMP is not required to be BEA 9.0 compliant. LMP will be BEA 10.0 compliant by 09/2013.

² Incrementally rolling out GRC in accordance with GRC implementation plan.

³ Planned completion date as of 09/2012.

⁴ Some General Fund assets reside in LMP. However, General Fund budget authority is recorded in GFEBs.

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LMP Financial Reporting Impact

System compliance reviews are an important step toward relying on controls within LMP. The impact on SBR is clear as existing integration between LMP and GFEBS consists of budget execution and obligation transactions. Additionally, LMP is an Accountable

Property System of Record (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 GRC, SFIS, and FFMIA compliance for LMP.

LMP Key Control Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Key Control Objectives for Assessable Unit	# of Key Control Objectives Planned for ERP	Tested	Completion
Statement of Budgetary Resources				
Contract Pay	29	TBD		
Supplies (MILSTRIP)	29	TBD		
Vendor Pay	29	TBD		
Reimbursable Work Order-Grantor	29	TBD		
Fund Balance with Treasury	14	TBD		
Appropriations Received	5	TBD		
Military Pay	13	TBD		
Civilian Pay	13	TBD		
Reimbursable Work Order-Acceptor	12	TBD		
Other Budgetary Activity	8	TBD		
Financial Reporting	10	TBD		
Existence and Completeness				
Military Equipment	10	0		
General Equipment	10	0		
Real Property	10	0		
OM&S	10	TBD		
Inventory	10	TBD		

Global Combat Support System – Army (GCSS-A)

Overview

- GCSS-A will provide enterprise-wide visibility into various logistics areas and is a key enabler for the Army in achieving auditability.
- GCSS-A is being deployed in two Waves. Wave 1 will provide supply (warehouse) and financial capabilities at the tactical units and installation level, and Wave 2 will deploy maintenance, property book accountability, and additional financial capabilities to these same units.
- GCSS-A completed Initial Operational Test and Evaluation with 2nd Brigade, 1st Armored Division, in Quarter 1 of FY 2012. Full Deployment Decision is expected in early FY 2013.

Program Cost

Program Cost by Appropriation	To Date (\$M)	At Completion (\$M)	
		As of 05/2012	Revised
RDT&E	\$885.7	\$276.5	\$1,062.9
Procurement	\$168.2	\$939.2	\$891.1
Operations and Maintenance	\$94.2	--	\$1,977.7

Note: To Date as of September 2012 ACP. At Completion Cost (Total Lifecycle Costs) as reflected in FDD ACP.

Impact on Legacy Systems

Legacy System Environment	# of Systems
Legacy Systems Sunset to Date	0
Legacy Systems to Be Sunset	7
Legacy Systems Interfaced to Date	0
Legacy Systems to Be Interfaced	2

Note: GCSS-A will sunset SARSS-1 and SARSS-2AC/B with its Wave 1 deployment completion in FY 2015. With the completion of Wave 2 Deployment, GCSS-A will sunset PBUSE, SAMS-E, SAMS-IE, FCM, and STANFINS (Partial) in Quarter 4 of FY 2017. Wave II will also include interfaces for two legacy systems – SAAS-Mod and ULLS-AE.

Information Technology Controls (✓ = Completed)

Controls	Tested	Completion	
		As Planned	Revised
Security Management Controls	✓	12/2012	09/2013
Access Controls	✓	12/2012	09/2013
Configuration Management Controls	✓	12/2012	09/2013
Segregation of Duties Controls	✓	12/2012	09/2013
Contingency Planning Controls	✓	12/2012	09/2013
Completeness Controls	✓	12/2012	09/2013
Accuracy Controls	✓	12/2012	09/2013
Validity Controls	✓	12/2012	09/2013
Confidentiality Controls	✓	12/2012	09/2013
Availability Controls	✓	12/2012	09/2013

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GCSS-A Implementation Milestones and Audit Readiness Information

Milestones	Functions	Baseline	Revised	Percent of Total Budget Authority
Milestone A/B		07/2008		10
Milestone C		08/2011		22
Full Deployment Decision	Budget Resource Management (BRM), Cost Management (CM), Fund Balance with Treasury Management (FBWTM), General Ledger Management (GLM), Payment Management (PayM), Receivables Management (RecM)	08/2012	12/2012	31
Initial Deployment/IOC	BRM, CM, FBWTM, GLM, PayM, RecM	09/2012	01/2013	32
Wave 1	BRM, CM, FBWTM, GLM, PayM, RecM	TBD	03/2015	48
Wave 2	BRM, CM, FBWTM, GLM, PayM, RecM	TBD	09/2017	65
Full Deployment	BRM, CM, FBWTM, GLM, PayM, RecM	TBD	09/2017	65

GCSS-A Financial Reporting Impact

GCSS-A Wave 1 will enable 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

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GCSS-A Status of Key Control Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Key Control Objectives for Assessable Unit	# of Key Control Objectives Planned for ERP	Tested	Completion
Statement of Budgetary Resources				
Contract Pay	29	0		
Supplies (MILSTRIP)	29	21	03/2013	06/2014
Vendor Pay	29	0		
Reimbursable Work Order – Grantor	29	0		
Fund Balance with Treasury	14	0		
Appropriations Received	5	0		
Military Pay	13	0		
Civilian Pay	13	0		
Reimbursable Work Order – Acceptor	12	0		
Other Budgetary Activity	8	0		
Financial Reporting	10	0		
Existence and Completeness				
Military Equipment	10	0		
General Equipment	10	0		
Real Property	10	0		
OM&S	10	0		
Inventory	10	0		

Integrated Personnel and Pay System – Army (IPPS-A) – Increment I

Overview

- Personnel and pay system giving soldiers and commanders 24/7 access to personnel and pay information.
- Hybrid solution using ERP software and agile development to deliver integrated personnel and pay capabilities capitalizing on a PeopleSoft product.
- Incremental development and implementation strategy delivering functionality in two increments with multiple releases.
- Increment I will deliver a trusted database that will be the single, comprehensive personnel record for all Army military personnel.
- Challenges: Legacy data management, system hosting readiness, and lack of a clearly defined authoritative data source between system owners.

Program Cost

Program Cost by Appropriation	To Date (\$M)	At Completion (\$M)
RDT&E	\$119.44	\$167.6
Procurement	--	\$2.3
Operations and Maintenance	--	\$196.8

Note: To Date as of October 12, 2012.

Impact on Legacy Systems

Legacy System Environment	# of Systems
Legacy Systems Sunset to Date	0
Legacy Systems to Be Sunset	53
Legacy Systems Interfaced to Date (Increment I)	17
Legacy Systems to Be Interfaced	82

Information Technology Controls (✓ = Completed)

Controls	Tested	Completion
Security Management Controls	TBD	TBD
Access Controls	TBD	TBD
Configuration Management Controls	TBD	TBD
Segregation of Duties Controls	TBD	TBD
Contingency Planning Controls	TBD	TBD
Completeness Controls	TBD	TBD
Accuracy Controls	TBD	TBD
Validity Controls	TBD	TBD
Confidentiality Controls	TBD	TBD
Availability Controls	TBD	TBD

Note: IPPS-A is in design and development and waiting on testing.

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IPPS-A Implementation Milestones and Audit Readiness Information

Milestones	Functions	Baseline	Percent of Total Budget Authority
Material Development Decision (MDD)	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).	07/2011	0
Contract Award	IPPS-A Increment I System Integrator awarded; development underway.	02/2012	0
Release 1.0 Milestone C	Authorizes IPPS-A to enter Production and Deployment Phase of the Acquisition Lifecycle; prepare for Full Deployment Decision (FDD).	08/2013	0
Release 1.0 FDD	Authorizes IPPS-A Increment I to enter Operations and Support Phase of the Acquisition Lifecycle and deploy the trusted database which at Full Deployment will become the authoritative database for future IPPS-A releases.	10/2013	0
Increment II Milestone B	Authorizes the Army to begin the Engineering Development Phase for IPPS-A Increment II in accordance with Business Capability Lifecycle (BCL) acquisition requirements.	08/2013	0

IPPS-A Financial Reporting Impact

IPPS-A will feed military personnel appropriation payroll financial information to GFEBS using SFIS compliant data. Additionally, since IPPS-A will be the order writing system for military PCS and TDY orders, it will also feed SFIS compliant data to GFEBS for funded orders. IPPS-A will replace 53 legacy personnel systems and no longer use 5 DoD pay systems. IPPS-A will not be deployed in time to support the FY 2014 SBR audit readiness requirement

resulting in legacy systems being used for the SBR assertion. The results and lessons learned from the FY 2014 SBR audit will be used to ensure that the design and development of IPPS-A is in line with the requirements for a full financial statement audit assertion in FY 2017. 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.

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IPPS-A Status of Key Control Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Key Control Objectives for Assessable Unit	# of Key Control Objectives Planned for ERP	Tested	Completion
Statement of Budgetary Resources				
Contract Pay	29	0		
Supplies (MILSTRIP)	29	0		
Vendor Pay	29	0		
Reimbursable Work Order – Grantor	29	0		
Fund Balance with Treasury	14	0		
Appropriations Received	5	0		
Military Pay	13	TBD	TBD	TBD
Civilian Pay	13	0		
Reimbursable Work Order – Acceptor	12	0		
Other Budgetary Activity	8	0		
Financial Reporting	10	0		
Existence and Completeness				
Military Equipment	10	0		
General Equipment	10	0		
Real Property	10	0		
OM&S	10	0		
Inventory	10	0		

THE DEPARTMENT OF THE NAVY

The Department of the Navy is in the process of deploying two ERPs:

- Navy ERP
- Global Combat Support System – Marine Corps (GCSS-MC)

Navy ERP

The Navy ERP Program is an integrated business management system that modernizes, streamlines, and standardizes how the Navy manages people, money, programs, equipment, and supplies. The Navy ERP combines business process reengineering (BPR) and industry best practices supported by commercial off-the-shelf (COTS) software. It integrates many facets of Navy business operations using a single database to manage shared common data.

Approximately 72,000 individuals utilize Navy ERP to manage approximately 52 percent of the Navy's Total Obligation Authority (TOA) (approximately \$63 billion). The Navy ERP contributes to fleet readiness by standardizing Navy business operations, thereby normalizing and reducing overhead costs and optimizing business operations. The Navy ERP also streamlines and enhances the ability of the Navy's supply chain management to effectively and efficiently provide sailors and ships with the items they need every day. The deployment of the Navy ERP Supply Solution automates previously manual processes with an integrated single data environment providing real-time visibility to manage fleet assets, resources, and inventory.

The Navy ERP also improves the Navy's visibility of total costs of operations for those organizations using the system, leading to improved decision making. Additionally, it enhances the Navy's ability to produce auditable financial statements in compliance with the National Defense Authorization Act for FY 2010, Chief Financial Officers Act of 1990, and DoD Information Assurance Certification and Accreditation Process. It also standardizes business

processes to meet DoD Financial Management Regulation, Federal Financial Management Improvement Act of 1996, and Standard Financial Information Structure.

Specifically, audit readiness will be achieved by improving processes, controls, and documentation while pursuing four objectives that support the FIAR Methodology (Appendix 1) phases of Discovery, Corrective Action, Evaluation, Assertion, Validation, and Audit:

1. Producing audit ready documentation from Navy ERP data and information.
2. Making information easier to obtain during an audit by consolidating and configuring Navy ERP to produce suitable reports and documentation.
3. Establishing and maintaining a systems environment to facilitate the provision of testable transaction-level data and information.
4. Providing a portfolio of tools and enhancements that improve the conduct of future audits by producing audit information and reports that document and improve business processes.

To ensure readiness for audit, the Navy ERP Program Management Office (PMO) is assessing the current SAP environment, support model, internal controls, and business intelligence toolset with its user community to ensure adequacy for financial audits. In addition, the PMO is performing a limited Federal Information System Controls Audit Manual (FISCAM) assessment to ensure consistency with government auditing standards. The expected completion date for the limited FISCAM is late in Quarter 1 of FY 2013.

A major challenge the PMO is addressing is how to efficiently automate data extraction processes required to support formal audit testing and the reconciliation of transaction level data to the Navy's financial statements. The PMO is currently cataloguing and automating existing manual processes, reconciling these processes to data extracts used by DFAS to create the financial statements (e.g., Statement of Budgetary Resources).

FIAR Plan Status Report

Navy ERP Deployment

The following major capabilities have been deployed by Navy ERP.

- Financial and Acquisition Management
- Wholesale and Retail Supply

Navy ERP deployments completed to date are summarized below by capability:

Financial and Acquisition Management

- NAVAIR deployed October 2007
- NAVSUP deployed October 2008
- SPAWAR deployed October 2009
- NAVSEA (General Fund) deployed October 2010
- NAVSEA (Working Capital Fund) deployed October 2011
- ONR and SSP deployed October 2012

Wholesale and Retail Supply

Phase 1 of NAVSUP Weapons System Support Deployment began February 2010 with users active in the system March 2010 and stabilized six months later.

- Phase 1 Fleet Logistics Center (FLC) and partner sites deployment began in July 2011.
- Phase 2 FLC and partner sites deployment began in November 2011.
- Phase 3 FLC and partner sites deployment began in March 2012.
- Phase 4 FLC and partner sites deployment will begin in August 2012.

ERP Progress and Plan Charts

Figure VIII-3 provides a summary of the DON audit readiness and ERP plans. It also identifies the changes to milestones from the baseline established in the November 2010 FIAR Plan Status Report or from when first reported. Following Figure VIII-3 are ERP progress and plan charts for each ERP being deployed by the DON. These charts provide an overview and information on legacy systems, interfaces, program cost, and milestones.

Global Combat Support System-Marine Corps (GCSS-MC)

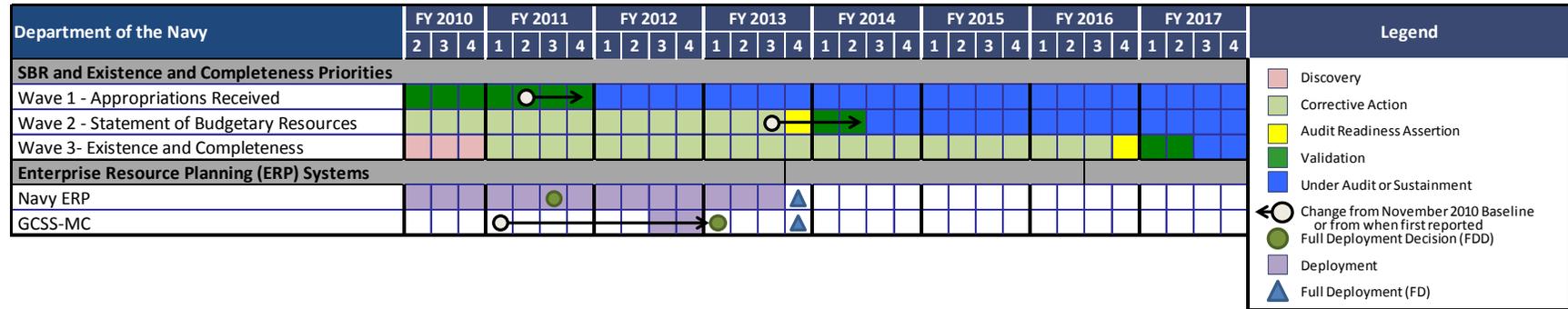
GCSS-MC is the primary technology enabler for the Marine Corps Logistics Modernization strategy. It is a portfolio of systems that provide the backbone for all logistics information required by Marine Air Ground Task Forces (MAGTFs) and the supporting establishment.

The core is modern, commercial-off-the-shelf enterprise resource planning software (Oracle 11i e-Business Suite). However, the GCSS-MC design is focused on enabling the warfighter to operate while deployed with reach-back from the battlefield.

GCSS-MC is being implemented in increments. Increment 1 replaces 40-year old legacy supply and maintenance information technology systems and with an anticipated 36,000 users. The focus of future increments will be enhancing capabilities in the areas of warehousing, distribution, logistics planning, decision support, depot maintenance, and integration with emerging technologies to improve asset visibility.

FIAR Plan Status Report

Figure VIII-3. DON Audit Readiness and ERP Plans



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, deployed Financial and Acquisition Management to all four SYSCOMS, with Office of Naval Research (ONR) and Strategic Systems Program (SSP). Wholesale and Retail Supply deployed 08/2012. To date, there are 72,000 Navy ERP users.
- Successful Operational Testing was completed 04/2009.
- Challenges include change management and data conversion. Transitioning to industry best business practices in a risk adverse environment has required strong leadership, effective user training and communications, and responsive on-site user support. Also, the quality, broad scope of data types, and huge data volumes provided challenges for data conversion. These risks were mitigated through legacy data cleansing, mock data conversions, and use of advanced data conversion tools.

Impact on Legacy Systems

Legacy System Environment	# of Systems
Legacy Systems Sunset to Date	75
Legacy Systems to Be Sunset	14
Legacy Systems Interfaced to Date	48
Legacy Systems to Be Interfaced	0

Note: 89 systems total will be retired by FY 2016. All legacy systems have been interfaced.

Program Cost

Program Cost by Appropriation	To Date (\$M)	At Completion (\$M)	
		As of 05/2012	Revised
RDT&E	\$315.7	\$315.7	
Procurement	\$69.9	\$87.9	\$80.5

Note: Program cost is shown in Then-Year dollars. To Date cost is through FY 2011.

Information Technology Controls (✓ = Completed)

Controls	Tested	Completion
Security Management Controls	✓	11/2012
Access Controls	✓	11/2012
Configuration Management Controls	✓	11/2012
Segregation of Duties Controls	✓	11/2012
Contingency Planning Controls	✓	11/2012
Completeness Controls	✓	11/2012
Accuracy Controls	✓	11/2012
Validity Controls	✓	11/2012
Confidentiality Controls	✓	11/2012
Availability Controls	✓	11/2012

Note: Navy ERP is presently undergoing a FISCAM audit by an IPA and is expected to be completed in 11/2012.

FIAR Plan Status Report

Navy ERP Implementation Milestones and Audit Readiness Information

Milestones	Functions	Baseline	Revised	Percent of Total Budget Authority
Milestone A		08/2004		0
Milestone B		08/2004		0
Initial Operating Capability (IOC)/Initial Deployment	General Ledger Mgmt (GLM), Budgetary Resource Mgmt (BRM), Payment Mgmt (PayM), Receivable Management (RecM)	01/2008		0
Milestone C	GLM, BRM, PayM, RecM, Cost Management (CM), Fund Balance with Treasury Mgmt (FBWTM)	09/2007		0
Full Deployment Decision (FDD)	GLM, BRM, PayM, RecM, CM, FBWTM	09/2010	06/2011	~47
Full Deployment (FD)	GLM, BRM, PayM, RecM, CM, FBWTM, PropM	08/2013*		~50

* Acquisition Program Baseline Threshold.

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 Key Control Objectives by Assessable Unit and Status (✓ = Completed)

FIAR Assessable Units	# of Key Control Objectives for Assessable Unit	# of Key Control Objectives Planned for ERP	# of Key Control Activities Tested for ERP	Tested	Completion
Statement of Budgetary Resources					
Contract Pay	29	29	22	✓	01/2013
Supplies (MILSTRIP)	29	28	9	✓	03/2013
Vendor Pay	29	29	22	✓	01/2013
Reimbursable Work Orders-Grantor	29	28	5	✓	12/2012
Fund Balance with Treasury	14	9	0 ⁵	✓	03/2013
Appropriations Received	5	5		✓	03/2013
Military Pay	13	0 ¹	0 ¹	N/A	N/A
Civilian Pay	13	9	9	✓	✓
Reimbursable Work Orders-Acceptor	12	12	8	✓	12/2012
Other Budgetary Activity	8	8		SBR	SBR
Financial Reporting	10	0 ²	0 ²	N/A	N/A
Transportation of People	28	28 ⁶	28 ⁶	✓	✓
Existence and Completeness					
Military Equipment	10	10	TBD	03/2013	09/2014
Real Property	10	0	N/A	N/A	N/A
Inventory	10	10 ³	TBD	TBD ⁴	12/2013
OM&S	10	10	TBD	09/2013	03/2015
General Equipment	10	10	TBD	03/2013	09/2014

¹ Military Pay transactions are not processed within Navy ERP.

² Scope for FSCR assertion does not include Command activities; therefore, there are no key controls for ERP. Activities to support assertion included non-Navy IT systems.

³ iNFADS is the Accountable Property System Record (APSR) for Real Property (RP). NAVFAC does not plan to move RP to Navy ERP.

⁴ Inventory PoAM/schedule is under development and testing dates have not been established.

⁵ Testing not started.

⁶ ToP assertion focused on the Defense Travel System (DTS) which included interfaces, processes, procedures, transactions, and accounting events across command General Ledger systems, including ERP systems. KCOs and control activities primarily focused on DTS; however, financial transactions from ERP were also included.

Global Combat Support System – Marine Corps (GCSS-MC)

Overview

- GCSS-MC provides the core of a modern, web-enabled, centrally managed, ERP software system.
- GCSS-MC supports the Global Combat Support Systems – Marine Corps/Logistics Chain Management and the Logistics Information Systems Portfolio and is the primary technology enabler for the Marine Corps Logistics Modernization strategy providing the backbone for all logistics information required by the Marine Air Ground Task Force.
- GCSS-MC is being fielded through a series of cutover strategies with Increment 1 being fielded in two releases. Currently, Release 1.1 (Enterprise) has been fielded to over 30,000 Marine users, with Release 1.2 (Deployed Solution) still in the Development and Test phase.

Program Cost

Program Cost by Appropriation	To Date (\$M)	At Completion (\$M)	
		As of 05/2012	Revised
RDT&E	\$263.1	\$274.6	\$263.1
Procurement	\$59.1	\$122.6	\$127.1
Operations and Maintenance	\$263.8	--	\$716.0

Note: Increment 1 cost at completion extends through FY 2023.

Impact on Legacy Systems

Legacy System Environment	# of Systems
Legacy Systems Sunset to Date	0
Legacy Systems to Be Sunset	4
Legacy Systems Interfaced to Date	13
Legacy Systems to Be Interfaced	0

Information Technology Controls (✓ = Completed)

Controls	Tested	Completion
Security Management Controls	✓	✓
Access Controls	✓	✓
Configuration Management Controls	✓	✓
Segregation of Duties Controls	✓	✓
Contingency Planning Controls	✓	✓
Completeness Controls	✓	✓
Accuracy Controls	✓	✓
Validity Controls	✓	✓
Confidentiality Controls	✓	✓
Availability Controls	✓	✓

FIAR Plan Status Report

GCSS-MC Implementation Milestones and Audit Readiness Information

Milestones	Functions	Baseline	Revised	Percent of Total Budget Authority
Milestone A		07/2004		0
Milestone B		06/2007		0
FUE - Limited Fielding Decision (LFD)	General Ledger Mgmt (GLM), Budgetary Resources Mgmt (BRM), Payment Mgmt (PayM), Receivable Mgmt (RecM)	N/A	03/2010	0
Milestone C	GLM, BRM, PayM, RecM	05/2010		0
Initial Operating Capability/Initial Deployment	GLM, BRM, PayM, RecM	N/A	06/2010	0
Rel 1.1 - Limited Fielding Decision	GLM, BRM, PayM, RecM	N/A	11/2010	0
Rel 1.1 - Continued Fielding Release 1.1	GLM, BRM, PayM, RecM	N/A	10/2011	0
Rel 1.2 - Limited Release for FOT&E	GLM, BRM, PayM, RecM, Cost Management (CM), Property Management (PropM)	TBD		0
Full Deployment Decision (FDD) ¹	GLM, BRM, PayM, RecM, CM, PropM	12/2012	TBD	0
Full Deployment ²	GLM, BRM, PayM, RecM, CM, PropM	N/A ²	TBD	0
Closeout Review				

Note: GCSS-MC is not fully fielded and is not audit ready, as of the date of this Report. As such, no costs are being reported at this time.

¹ Acquisition Program Baseline approved April 29, 2010.

² Determined at FDD

GCSS-MC Financial Reporting Impact

As of the date of this Report, GCSS-MC is not fully fielded. The USMC uses the Defense Property Accountability System (DPAS) for Military Equipment Valuation (MEV) and reporting of ME capitalized assets in USMC financial statements. Inventory balance and valuation of OM&S is transferred to Standard Accounting, Budgeting and Reporting System (SABRS) via the GL Journal GL Funds Check interfaces.

It is not envisioned that the GCSS-MC Logistics System will be a financial system of record for OM&S. The Standard Accounting,

Budgeting and Reporting System (SABRS) is the financial system that is utilized for budget management and transactions. Inventory balances and valuation of OM&S is transferred to SABRS via the GL Journal GL Funds Check interfaces.

The following assessable units are currently being accounted for by DPAS: Military Equipment, Real Property, Inventory, OM&S and General property. It is envisioned that GCSS-MC Logistics System will report ME capitalized assets in USMC financial statements to

FIAR Plan Status Report

meet the CDD requirement. This capability will be satisfied with the development of Inventory Valuation for fixed assets by FY 2015.

The GCSS-MC enterprise-wide visibility of data allows logistics planners and operators to make decisions about the logistics chain based on reliable, timely information. The GCSS-MC seeks to address several key challenges plaguing the Logistics community, including: multiple entry points for submitting and managing requests, a lack of enterprise asset visibility, enabling capacity management, enabling enterprise-wide standard processes, and the inability to monitor availability and maintain situational awareness.

Root causes of these challenges include antiquated processes and an aging portfolio of stove-piped IT assets. Symptoms of these causes can be seen in USMC capability gap analyses; lessons learned gathered from OIF, OEF, and ongoing field operations; and the USMC inability to properly measure the logistics chain.

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 MAGTF and USMC supporting establishment.

FIAR Plan Status Report

GCSS-MC Status of Key Control Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Key Control Objectives for Assessable Unit	# of Key Control Objectives Planned for ERP	Tested	Completion
Statement of Budgetary Resources				
Contract Pay	29	13	TBD	TBD
Supplies (MILSTRIP)	29	10	TBD	TBD
Vendor Pay	29	3	TBD	TBD
Reimbursable Work Order – Grantor	29	4	TBD	TBD
Fund Balance with Treasury	14	1	TBD	TBD
Appropriations Received	17	17	TBD	TBD
Military Pay	13	1	TBD	TBD
Civilian Pay	13	1	TBD	TBD
Reimbursable Work Order – Acceptor	12	1	TBD	TBD
Other Budgetary Activity	8	3	TBD	TBD
Financial Reporting	10	9	TBD	TBD
Existence and Completeness				
Military Equipment	10	N/A		
Real Property	10	N/A		
Inventory	10	TBD	TBD	TBD
OM&S	10	TBD	TBD	TBD
General Property	10	N/A		

Note: The schedule for testing internal controls is being refined and will be updated for subsequent Reports.

THE DEPARTMENT OF THE AIR FORCE

Air Force auditability is dependent on establishing an audit ready systems environment that includes successfully deploying ERP systems that interface with other business and financial systems. The key Air Force system modernizations are:

- Defense Enterprise Accounting and Management System (DEAMS)
- Air Force Integrated Personnel and Pay System (AF-IPPS)

The ERPs are being deployed to replace numerous subsidiary systems, reduce the number of interfaces, and standardize and eliminate redundant data entry, while providing an environment for end-to-end business processes. The ERPs serve as the foundation for sustainable Air Force audit readiness from FY 2017 and beyond. The Air Force ERPs will not be fully deployed by 2014. As a result, the Air Force will rely on business process changes and increased internal controls along with legacy system enhancements in order to meet the FY 2014 goal of audit readiness for the SBR. Senior Leadership within the Air Force will review corrective action plans for IT systems to determine the business case and impacts to sustained audit readiness of the legacy environment. The Air Force remains committed to implementing the ERP solutions.

The DEAMS is a joint Air Force and U.S. Transportation Command (USTRANSCOM) effort to establish a transaction-based general ledger that will standardize and streamline processes, improve data

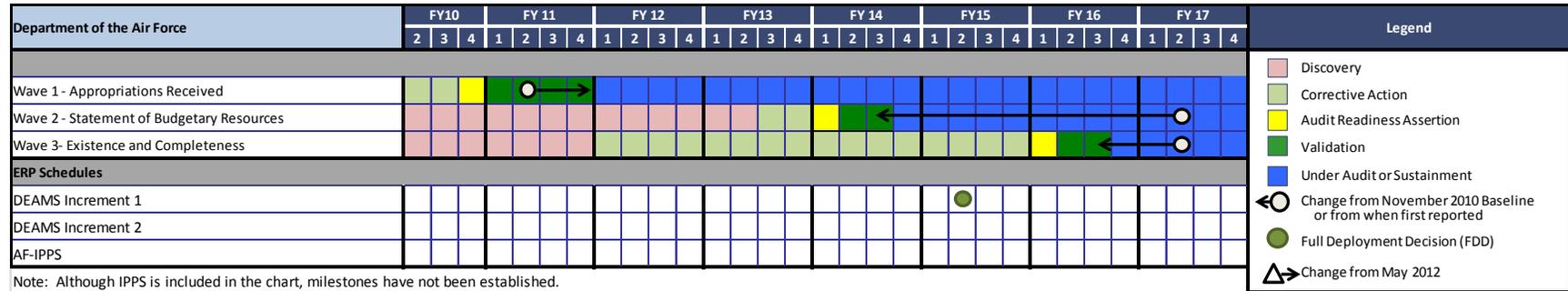
quality, and form the foundation of Air Force auditability. Currently, DEAMS is deployed at Scott Air Force Base (AFB), McConnell AFB, and DFAS Limestone, Maine, and successfully achieved Milestone B in Quarter 2 of FY 2012. In preparation for further deployment of DEAMS, the Air Force is conducting audit readiness assessments to validate configuration of the system and internal controls. Findings from the assessments will further inform the Air Force on progress toward auditability. The Air Force will seek to resolve and mitigate any issues discovered while still working toward full deployment throughout the Air Force and USTRANSCOM.

The AF-IPPS is the Air Force's future integrated personnel and pay system that will consolidate Guard, Reserve, and Active Duty Military into a single system for personnel and pay related services. The Air Force and DFAS are working together to ensure when AF-IPPS is implemented the system and processes support audit readiness. In FY 2012, the Air Force Audit Agency conducted an analysis of AF-IPPS to ensure audit readiness requirements have been captured and incorporated in configuration and deployments plans.

Figure VIII-4 provides a summary of the Air Force audit readiness and ERP plans, as well as changes from the baseline established in the November 2010 FIAR Plan Status Report or from when first reported. Following Figure VIII-4 are charts providing information on each ERP.

FIAR Plan Status Report

Figure VIII-4. Air Force Audit Readiness and ERP Plans



Defense Enterprise Accounting and Management System (DEAMS) Increment 1

Overview

- Single automated accounting and financial management execution system for USTRANSCOM and Air Force.
- DEAMS complies with relevant laws, regulations, and policies; permits agile response to statutory, regulatory, and policy changes; enables clean audit opinions; attains unqualified assurances on internal controls; assists resolution of existing material weaknesses; and supports analysis of financial events.
- The deployment strategy is phased by Major Command and location.
- Tech Demo Spiral 2 – in 05/2010, delivered capability for procure-to-pay; property, plant, and equipment; order-to-cash; billing and project accounting, including transaction-based general ledger to Scott AFB. Successful closeout of FY 2010, FY 2011, and FY 2012.
- Deployment at McConnell AFB was successful as of the date of this Report.

Impact on Legacy Systems

Legacy System Environment	# of Systems
Legacy Systems Sunset to Date	1
Legacy Systems to Be Sunset	8
Legacy Systems Interfaced to Date	36
Additional Legacy Systems to be Interfaced (Includes all of Inc 1 Production and Inc 2)	72

Source: Systems Requirements Document version 1.8 (12/2011)

Program Cost

Program Cost by Appropriation	To Date (\$M)	At Completion (\$M)	
		As of 05/2012	Revised
RDT&E	\$218.0	\$229.3	\$591.1
Procurement	\$8.9	\$11.4	\$50.0
Operations and Maintenance	\$39.2	\$41.3	\$59.5
Transportation Working Capital Fund – Capital	\$121.4	\$122.9	\$126.8
Transportation Working Capital Fund – Operating	\$20.9	\$16.3	\$32.2

Note: Program acquisition costs by appropriation for Increment 1 only. At Completion does not include 10 years of sustainment cost.

Information Technology Controls

Controls	Tested		Completion
	Planned	Revised	
Security Management Controls	11/2012	12/2012	TBD
Access Controls	11/2012	12/2012	TBD
Configuration Management Controls	11/2012	12/2012	TBD
Segregation of Duties Controls	11/2012	12/2012	TBD
Contingency Planning Controls	11/2012	12/2012	TBD
Completeness Controls	11/2012	12/2012	TBD
Accuracy Controls	11/2012	12/2012	TBD
Validity Controls	11/2012	12/2012	TBD
Confidentiality Controls	11/2012	12/2012	TBD
Availability Controls	06/2012	12/2012	TBD

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DEAMS Implementation Milestones and Audit Readiness Information

Milestones	Functions	Baseline	Revised	Percent of Total Budget Authority
Milestone A		04/2005		7
Milestone B	General Ledger Mgmt (GLM), Budgetary Resource Mgmt (BRM), Payment Mgmt (PayM), Receivable Management (RecM), Property Management (PropM)	02/2012	01/2012	42
Milestone C	GLM, BRM, PayM, RecM, PropM, FBWT (GF)	08/2014	TBD	78
Full Deployment Decision (FDD)	GLM, BRM, PayM, RecM, PropM, FBWT (GF)	02/2015	TBD	86
Full Deployment	GLM, BRM, PayM, RecM, PropM, FBWT (GF)	TBD		100

DEAMS Financial Reporting Impact

DEAMS is a crosscutting financial management system utilizing standardized, transaction-based, general ledger producing, Standard Financial Information Structure (SFIS) compliant data. DEAMS will produce financial statements for the Transportation Working Capital Fund (TWCF) and the Air Force General Fund (GF) – becoming the Air Force System of Record replacing the General Accounting Finance System (GAFS) and the Integrated Accounts Payable System (IAPS), and other financial feeder systems.

DEAMS is a key component to the overall Air Force FIAR Plan and strategy addressing current financial management challenges, including resolving material weaknesses; improving timeliness and accuracy of financial management information; supporting consistent financial reporting to the Department; enabling Business Process Reengineering (BPR); and providing a systematic road to clean audit opinions.

FIAR Plan Status Report

DEAMS Status of Key Control Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Key Control Objectives for Assessable Unit	# of Key Control Objectives Planned for ERP	Tested	Completion
Statement of Budgetary Resources				
Contract Pay	29	0		
Supplies (MILSTRIP)	29	0		
Vendor Pay	29	28	09/2014	TBD
Reimbursable Work Order - Grantor	29	29	09/2014	TBD
Fund Balance with Treasury	14	13	09/2014	TBD
Appropriations Received	5	2	09/2014	TBD
Military Pay	13	4	09/2014	TBD
Civilian Pay	13	4	09/2014	TBD
Reimbursable Work Order - Acceptor	12	12	09/2014	TBD
Financial Reporting	8	4	09/2014	TBD
Existence and Completeness				
Military Equipment	10	3	09/2016	TBD
Real Property	10	3	09/2016	TBD
Inventory	10	3	09/2016	TBD
OM&S	10	3	09/2016	TBD
General Property	10	3	09/2016	TBD

Air Force Integrated Personnel and Pay System (AF-IPPS)

Overview

- FFMIA compliant, supporting FY 2017 financial auditability.
- Functionality in ERP supports audit readiness General Controls and Application Controls.
- Integrates personnel and pay processes into one COTS ERP.
- Enables transformation military personnel and pay processing.
- Maintains authoritative member record throughout AF career.
- Comprehensive 24/7 self-service, web-based solution.
- Supports SECAF “3 to 1” Initiative to implement a common personnel management process across all Military Departments
- Releases: 1) Leave, 2) Cadets, 3) Officers, 4) Enlisted, 5) Upgrade.
- RFP released in Quarter 3 of FY 2012.
- Challenges: Network and processor monitoring/performance, legacy data management, common-infrastructure governance, synchronization between AF-IPPS implementation and other Air Force systems modernization.

Impact on Legacy Systems

Legacy System Environment	# of Systems
Legacy Systems Sunset to Date	0
Legacy Systems to Be Sunset	22
Legacy Systems Interfaced to Date	0
Additional Legacy Systems to be Interfaced (Includes all of Inc 1 Production and Inc 2)	92

Source: Systems Requirements Document version 1.6 (May 3, 2012)

Program Cost

Program Cost by Appropriation	To Date (\$M)	At Completion (\$M)	
		As of 05/2012	Revised
RDT&E	\$66.3	\$709.3	\$710.2
Procurement	--	\$59.8	--

Note: To Date (through FY 2012) based on actuals and At Completion (through FY 2027) based on AF-IPPS Service Cost Position, dated June 2011.

Information Technology Controls

Controls	Tested	Completion
Security Management Controls	TBD	TBD
Access Controls	TBD	TBD
Configuration Management Controls	TBD	TBD
Segregation of Duties Controls	TBD	TBD
Contingency Planning Controls	TBD	TBD
Completeness Controls	TBD	TBD
Accuracy Controls	TBD	TBD
Validity Controls	TBD	TBD
Confidentiality Controls	TBD	TBD
Availability Controls	TBD	TBD

FIAR Plan Status Report

AF-IPPS Implementation Milestones and Audit Readiness Information

Milestones	Functions	Baseline	Percent of Total Budget Authority
Contract Award		TBD	TBD
Release 1/Initial Operating Capability (IOC)	General Ledger Mgmt (GLM), Budgetary Resource Mgmt (BRM), Payment Mgmt (PayM), Receivable Management (RecM)	TBD	TBD
Release 2	GLM, BRM, PayM, RecM	TBD	TBD
Release 3	GLM, BRM, PayM, RecM	TBD	TBD
Release 4	GLM, BRM, PayM, RecM	TBD	TBD
Release 5/Full Deployment Decision (FDD)	GLM, BRM, PayM, RecM, Cost Management (CM), Fund Balance with Treasury Mgmt (FBWTM)	TBD	TBD
Full Deployment (FD)	GLM, BRM, PayM, RecM, CM, FBWTM	TBD	TBD
Closeout Review (CR)	GLM, BRM, PayM, RecM, CM, FBWTM	TBD	TBD

Note: AF-IPPS is an 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 major financial feeder system to DEAMS that will produce SFIS compliant data. AF-IPPS will be replacing two major legacy systems, DJMS and MilPDS, along with 21 other personnel and pay legacy systems. To achieve the FY 2014 SBR audit readiness goal, all personnel and pay legacy systems will be assessed, tested, and audit ready. Based on the results of the FY 2014 SBR audit readiness effort, AF-IPPS will implement legacy system

lessons learned in the development of requirements. The weaknesses in the legacy systems will be remediated in the A1 and financial management functional areas and synchronized with Air Force ERP partners. AF-IPPS is a Total Force application and is an element of the overall Air Force FIAR Plan and strategy to address financial management challenges by 2017.

FIAR Plan Status Report

AF-IPPS Status of Key Control Objectives by Assessable Unit (✓ = Completed)

FIAR Assessable Units	# of Key Control Objectives for Assessable Unit	# of Key Control Objectives Planned for ERP	Tested	Completion
Statement of Budgetary Resources				
Contract Pay	29	0		
Supplies (MILSTRIP)	29	0		
Vendor Pay	29	0		
Reimbursable Work Order - Grantor	29	0		
Fund Balance with Treasury	14	0		
Appropriations Received	5	0		
Military Pay	13	TBD	TBD	TBD
Civilian Pay	13	0		
Reimbursable Work Order - Acceptor	12	0		
Other Budgetary Activity	8	0		
Financial Reporting	10	0		
Existence and Completeness				
Military Equipment	10	0		
Real Property	10	0		
Inventory	10	0		
OM&S	10	0		
General Property	10	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. DAI was approved by the Defense Business Systems Management Committee (DSBMC) and included in the DoD Enterprise Transition Plan.

The DAI objective is to achieve and sustain an auditable CFO-compliant 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, including the Standard Financial Information Structure and Office of Federal Financial Management requirements.

The scope (functionality) of DAI implements a compliant business solution with common business processes and data standards for the following business functions:

- Procure to Pay
- Order to Fulfill
- Acquire to Retire
- Budget to Report
- Cost Accounting
- Grants Financial Management (Full Deployment Capability)
- Time and Labor
- Budget Formulation (Full Deployment Capability)
- Re-sales Accounting (Full Deployment Capability)

The benefits of deploying DAI include:

- Enabling auditability and mitigation of financial management material weaknesses and deficiencies.
- Streamlining interagency accounting through common use of U.S. Standard General Ledger (USSGL) Chart of Accounts.
- Enhancing financial analysis and timely decision making – DAI provides real time access to accurate, timely, and authoritative financial data.
- Reducing data reconciliation requirements and thereby allowing Defense organizations to better utilize scarce resources to perform more value added activities.
- Improving financial management business processes by automating labor intensive manual tasks.

Currently, DAI has approximately 9,200 users, and there are 11 agencies where DAI has been fully deployed. In addition to these agencies, the OUSD(C) is using DAI for time and labor.

DAI is expected to be upgraded to Oracle Version R12.0 during FY 2013 and FY 2014, and internal controls in the new version are under evaluation. The Status of Key Control Objectives by Assessable Unit table, included in the other ERP sections, will be provided for DAI in the May 2013 FIAR Plan Status Report.

Defense Agency Initiative (DAI)

Overview

- In support of audit readiness, DAI will continue to mature the General Fund and Working Capital Fund accounting in an Enterprise Global Model comprised of 6 business process areas: Procure to Pay, Order to Cash, Acquire to Retire, Budget to Report, Cost Accounting, and Time and Labor.
- By Full Deployment in 10/2016, DAI's Enterprise Global Model also will include: Budget Formulation, Grants Financial Management, and Re-Sales Accounting.
- Challenges include data collection, data conversion, and cross functional user training.

Program Cost

Program Cost by Appropriation	To Date (\$M)	At Completion (\$M)	
		As of 05/2012	Revised*
RDT&E	\$187.7	\$355.6	\$345.7
Procurement	\$1.5	\$1.5	--
Operations and Maintenance	\$1.3	\$69.6	\$74.0
Total	\$190.6	\$426.8	\$421.3

* Projected amounts are based on the President's Budget for FY 2012 through FY 2016.

Impact on Legacy Systems

Legacy System Environment	# of Systems
Legacy Systems Sunset to Date	*
Legacy Systems to Be Sunset	*
Legacy Systems Interfaced to Date	21
Legacy Systems to Be Interfaced	TBD

* DAI is intended to replace ODO legacy systems, and since the sunset or partial sunset of a system is a decision by the owning organization, the number of sunsetting systems is not available at this time.

Information Technology Controls

Controls	Tested	Completion
Security Management Controls	03/2013	10/2014
Access Controls	03/2013	10/2014
Configuration Management Controls	03/2013	10/2014
Segregation of Duties Controls	03/2013	10/2014
Contingency Planning Controls	03/2013	10/2014
Completeness Controls	03/2013	10/2014
Accuracy Controls	03/2013	10/2014
Validity Controls	03/2013	10/2014
Confidentiality Controls	03/2013	10/2014
Availability Controls	03/2013	10/2014

FIAR Plan Status Report

DAI Implementation Milestones and Audit Readiness Information

Milestones	Functions	Baseline	Percent of Total Budget Authority
Milestone A ACAT III		01/2007	0
Deployment	Deployed to Business Transformation Agency (BTA) 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*	10/2008	9
Deployment	Deployed to Defense Technology Information Center (DTIC) as a pilot with a maturation of these capabilities	10/2009	12
Milestone B ACAT III		10/2010	21
Deployment	Deployed to Missile Defense Agency (MDA) and Uniformed Services University of the Health Sciences (USUHS) with a further maturation of these capabilities	10/2010	21
Initial Operating Capability (IOC)	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	10/2010	21
Deployment	Deploy to four Agencies with maturation of IOC capabilities and Agency requirements	10/2011	32
Deployment	Deploy to four Agencies with additional maturation of IOC capabilities and Agency requirements	10/2012	45
Milestone C			
Full Deployment Decision (FDD)		03/2013	50
Technology Upgrade	Upgrade Oracle Release 11.5.10 to Release 12	10/2013	60
Deployment	Deploy to four Agencies with additional maturation of IOC capabilities, completion of Working Capital Fund capabilities and migrate existing capabilities to upgraded product	01/2014	74
Deployment	Deploy to five Agencies with some maturation of IOC capabilities, completion of Grants Financial Management, Re-Sales Accounting capabilities and Agency requirements	10/2015	90
Deployment	Deploy to remaining Agencies with some maturation of IOC capabilities, completion of Budget Formulation capabilities and Agency requirements	10/2016	100

Note: Agencies typically deploy DAI Time and Labor in July preceding deployment of full financials.

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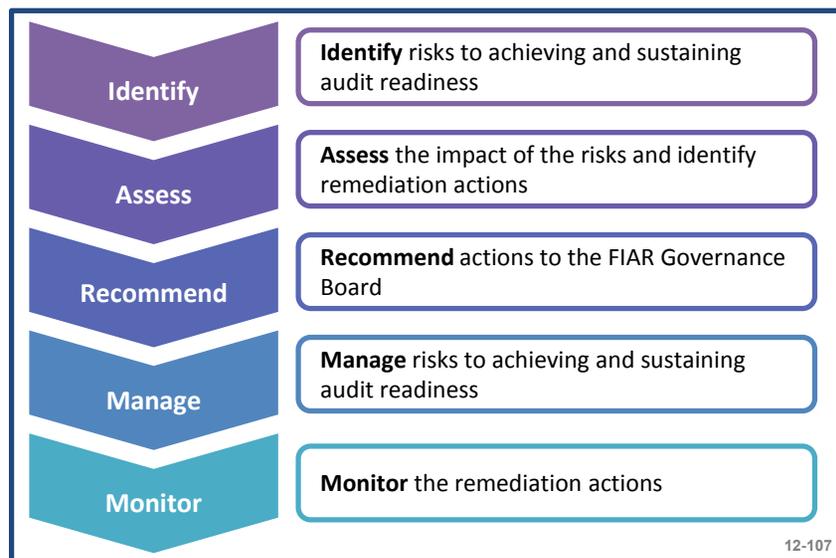
Risk Management

IX. Risk Management

Successfully achieving and sustaining unqualified audit opinions on DoD financial statements is not an option. It is required by law and mandated by the Secretary of Defense. To efficiently and effectively achieve that goal, the challenges or risks that could impact auditability by 2014 for the SBR and by 2017 for all financial statements have been identified and assessed, and are being remediated and monitored.

Figure IX-1 graphically depicts the DoD FIAR risk management process, which incorporates the actions of the OUSD(C), DoD Components, and the FIAR governance process, which includes the FIAR Governance Board, FIAR Committee, and Subcommittees.

Figure IX-1. FIAR Risk Management Process



Utilizing this process, the Department identified, assessed, and is managing six risks to achieving and sustaining audit readiness. The six risks are:

- Lack of DoD-wide Commitment
- Insufficient Accountability
- Poor Scope and Requirements
- Unqualified or Inexperienced Personnel
- Insufficient Funding
- Information System Control Weaknesses

Information explaining each of the above risks and corresponding remediation actions is provided in this section of the Report.

MANAGING RISK

The OUSD(C) is monitoring and participating in FIAR activity to assess and mitigate risks to ensure identified risks are properly and adequately managed. However, risk management is a DoD-wide effort, involving the Principal Staff Assistants and other offices within Office of the Secretary of Defense and the DoD Components, and includes:

- Identifying and assessing risks to progress and success as discovery is conducted, controls are strengthened, corrective actions are implemented, systems are modernized, and examinations and audits are conducted.
- Bringing newly identified risks to the attention of management at various levels within a Component or the OUSD(C) and FIAR governance process.
- Recommending solutions, best practices, and other remedial actions, and sharing them across the Department.
- Monitoring and reporting risk management activity.

As needed, risk management is addressed at monthly FIAR Committee and Subcommittee meetings, as well as FIAR Governance Board meetings, where it is a standard agenda item.



Risk Management

RISKS TO ACHIEVING FIAR GOALS

Six risks to achieving the FIAR goals have been identified to date. Each risk is described in this section.

Risk 1. Lack of DoD-wide Commitment

Although the Department has been working for many years to achieve auditable financial statements, the responsibility to achieve this goal was predominantly identified as the financial community's initiative. This no longer is the case. Today, with the Secretary's commitment and involvement, stakeholders (warfighters and the functional and financial communities) throughout the Department now are responsible or committed to achieving the FIAR goals and are aggressively taking action to evaluate and document processes, improve controls and supporting documentation, and modernize systems.

Clearly, the Secretary's continued involvement in the FIAR process is the most significant activity that mitigates a lack of DoD-wide commitment. In addition, other requirements and activities mitigate the risk of a lack of commitment to achieving audit readiness. For example:

- The Department's Strategic Management Plan (SMP), which is closely monitored by senior officials within the Department and reported to the Congress, includes auditability as one its key initiatives.
- Mandatory inclusion of FIAR goals in the performance plans of the appropriate senior executives and flag officers.
- Close monitoring of progress by Congress and the GAO.

Risk 2. Insufficient Accountability

FIAR accountability begins at the top and cascades down to the Components. At the top, quarterly FIAR Governance Board meetings begin with status and progress reviews of near-term FIAR milestones, presented by each Component's senior executive, who is held

accountable for maintaining progress and achieving the near-term milestones. Given the complexity of the Department and long-standing impediments to auditability, some milestone slippage is inevitable. However, the accountable official must explain the cause of the delay and the actions being taken to remedy the problem. The Board's co-chairs and members, provide guidance, assistance, and/or direction, as needed. This process ensures and reinforces accountability at the top, which inevitably flows down to the individuals who are responsible for day-to-day FIAR execution.

In addition, the Department now requires the appropriate senior executives' and flag officers' performance plans to contain FIAR goals, which holds them accountable and provides an incentive for progress. The requirement to include FIAR goals in executive performance plans is cascading down within the organizations to the working level individuals, who also are held accountable.

Risk 3. Poor Scope and Requirements

The Department has been working to achieve auditability for many years, and over those years has approached the challenges to auditability utilizing different strategies and methodologies. Today, the scope and requirements to achieve audit readiness are well defined, consistent, documented, and communicated in the DoD FIAR Guidance, which has been issued across the Department and included in FIAR training courses. See Appendix 1 for information on the FIAR Strategy and FIAR Methodology.

To fully mitigate the risk of inadequate scope or requirements, the DoD FIAR Guidance is updated, as needed, and reissued DoD-wide. The DoD FIAR Guidance document can be found and downloaded from the Department's FIAR website at:

<http://comptroller.defense.gov/FIAR/guidance.html>



Risk Management

Risk 4. Unqualified or Inexperienced Personnel

The lack of government personnel with the necessary qualifications and experience to achieve audit readiness has been a significant DoD-wide problem, existing not only at the working-level, but also in senior-level positions. As the Department works to achieve audit readiness, it recognizes that most individuals have never experienced the preparation for, or conduct of, a financial statement audit, which is a significant impediment to success.

To mitigate this problem and significant risk, the Department is taking the following actions:

- Hiring experienced individuals who are Certified Public Accountants.
- Hiring IPA firms to help the Department prepare for audit.
- Providing FIAR training to the appropriate functional and financial employees.
- Modifying existing Military Department training and education programs to include FIAR objectives.
- Conducting limited-scope examinations and audits of portions of the financial statements that provide firsthand experience to prepare individuals for future financial statement audits.

These actions are well underway and have had a positive impact on the Department's success in remediating this risk.

In addition to the lack of government personnel with the necessary qualifications, there also is a risk that the audit community (i.e., the DoD OIG and IPA firms) will not have sufficient auditors available when the Department achieves audit readiness of:

- Assessable units/elements of the SBR prior to the end of FY 2014,
- Existence and completeness of mission critical assets before the end of FY 2017, and

- General Fund SBR in FY 2014 and all financial statements in FY 2017.

When the Department achieves these goals, there will be a need for an unknown, but significant, quantity of experienced auditors. The shortage will be particularly acute in the first few years after achieving auditability, because more testing and higher sample sizes will be required due to the control environment and legacy systems across the Department. The number of auditors needed will be reduced in subsequent years.

The audit community is aware of and planning for the lack of experienced auditors. However, the Department has not discussed the topic in any detail with the audit community or GAO. As the Department approaches audit readiness in 2014 and 2017, and audits in 2015 and 2018, the Department will initiate discussions with the DoD OIG and GAO on this risk to ensure that the audit community is sufficiently prepared and planning for the increased need for experienced auditors.

Risk 5. Insufficient Funding

Achieving audit readiness in an entity with the size and complexity of the Department is very costly. Unfortunately, prior to this Administration, FIAR funding was not a priority and, therefore, was underfunded. Today, the Department has taken steps to ensure adequate funds are available to the Components for FIAR activity, despite significant Department-wide budget reductions.

To mitigate the risk of future underfunding, the USD(C)/CFO directed that FIAR funding be closely monitored, which included creation of a new Program Element specifically for FIAR funds within the Future Years Defense Program (FYDP) and annual budget process.

The total DoD FIAR funding by fiscal year is presented in the Executive Summary and in funding tables within the Army, Navy, Air Force, and Other Defense Organizations sections of this Report. As



Risk Management

shown in these resource tables, FIAR funding is constant and supports the achievement of auditability in FY 2017.

Risk 6. Information System Control Weaknesses

The ability of the Department's business and financial systems to record and report accurate and auditable financial information remains a challenging risk to achieving General Fund SBR audit readiness in FY 2014 and full audit readiness by September 30, 2017. Regardless of whether a Component is relying on a legacy system environment or a mixed environment of ERP and legacy systems, the effectiveness of application and general controls is critical to audit readiness.

The risk of weak system controls is exacerbated by the concurrent, ongoing and extensive modernization of the hundreds of business and financial systems in the Military Departments and most Defense Agencies. As systems are replaced or modernized, typically by an ERP, processes and controls change and, for the most part, impact financial reporting and audit readiness.

To mitigate this risk, the Department has taken the following actions:

- Engaged the DoD DCMO and the Military Department CMOs in the FIAR process.
- Required ERP deployment plans to be integrated with Component FIPs.

- Included specific FIAR requirements in Acquisition Decision Memorandums for information systems.
- Educated senior leadership and working-level personnel on the importance of effective information system control objectives and, as part of the FIAR process, required the Components to test and correct system control weaknesses.
- Expanded the visibility of ERP deployment progress in this Report with the addition of a separate, new ERP section, and linking the ERP deployments to the elimination of longstanding material weaknesses.

The above actions are expected to mitigate some of the risk, but given the tremendous number of business and financial systems in the Department and the key role they play in recording and reporting auditable information, the Department will be closely monitoring and taking corrective actions, when needed.

RISK MANAGEMENT METRICS

Eight risk management metrics are being used to monitor and report FIAR risk mitigation. Figure IX-2 provides the data captured, monitored, and reported for each metric. Following Figure IX-2, each metric is briefly explained.

Risk Management



Figure IX-2. FIAR Risk Management Metrics

Metric	Risk*	Army	Navy	Air Force	Other Defense Organizations
Number of SES Members and Commanders with FIAR Performance Goals	1, 2	276 of 276	250 of 303	144 of 185	147 of 481
Unfunded FIAR Requirements	5	\$0	\$0	\$0	\$0
FIAR Assertion Milestones Accomplished	3	2 of 9	6 of 12	4 of 15	19 of 169
Percent of Financial Improvement Plans with No RED Ratings	3	12.5%	55.6%	38.5%	31.3%
Total Training at FIAR Training Classes	3, 4	222	375	1146	4546
Unqualified Audit Readiness Examinations	3	1 of 2	4 of 6	5 of 5	0 of 0
Number of Assertion Documents Approved	3	37 of 182	46 of 280	83 of 294	296 of 924
Number of IT Systems Assessed	6	2 of 4	0 of 32	5 of 45	11 of 60

* The numbers in the Risk column correspond to the numbered risks that precede this figure.

Number of SES Members and Commanders with FIAR Performance Goals tracks the number of SES members and commanders that have FIAR goals in their annual performance plans. Having FIAR goals (e.g., timely completion of FIAR milestones) in performance plans fosters commitment and holds individuals accountable for accomplishing key FIAR goals and objectives.

Unfunded FIAR Requirements tracks FIAR resource requests that currently are unfunded as of the latest FIAR Governance Board Meeting.

FIAR Assertion Milestones Accomplished monitors the number of audit readiness assertion milestones completed as compared to the number to be completed.

Percent of Financial Improvement Plans (FIPs) with No RED Ratings tracks the results of monthly reviews of DoD Component FIPs by the OUSD(C)/FIAR Directorate, where RED indicates that specific evaluation criteria were rated “Non-Compliant” with the DoD FIAR Guidance.

Number of Assertion Documents Approved measures the number of successfully completed assertion documents as compared to the total number of assertion documents to be completed to achieve the FY 2017 audit readiness goal.

Unqualified Audit Readiness Examinations tracks the number of unqualified audit readiness examinations as compared to the total examinations performed.

Total Training at FIAR Training Classes measures the total number of FIAR training class attendees.

Number of IT Systems Assessed monitors the number of information technology (IT) systems that have been assessed against Federal Information System Controls Audit Manual (FISCAM) requirements and the number of IT systems remaining to be assessed. The IT systems included are those reflected in Component System Inventory Lists, as required by the DoD FIAR Guidance.

Risk Management



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X. Audit Readiness Progress Metrics

Monitoring DoD Component progress and holding them accountable is essential to achieving audit readiness of Statement of Budgetary Resource (SBR) by September 30, 2014, and full auditability by September 30, 2017. The FIAR governance process employs four types of metrics to monitor progress:

- Percentage of the SBR Validated as Audit Ready
- Percentage of Mission Critical Assets Validated as Audit Ready
- Key Control Objectives and Key Supporting Documentation
- Operational Improvements Impacting Budgetary Information and Mission Critical Asset Information

An explanation of each type of metric follows.

Percentage of the SBR and Mission Critical Assets Validated as Audit Ready

The percentages of the total budgetary resources on the Department's General Fund SBR and mission critical assets that have been validated as audit ready provide overall, high-level measures of the Department's status and goals for achieving audit readiness. Information on Component-level validation for audit readiness is maintained and monitored internally within the Department.

Key Control Objectives and Key Supporting Documentation

Key Control Objectives (KCO) and Key Supporting Documentation (KSD) metrics measure progress in achieving audit readiness by tracking the Components' assessment of KCOs and KSDs and determining their effectiveness. In other words, these metrics track progress in achieving the end-state outcome of auditability and a strong internal control program that ensures business and financial transactions are timely and accurately recorded and supported by transaction level documentation.

Operational Improvements Impacting Budgetary Information and Mission Critical Asset Information

Operational Improvement metrics measure changes to business and financial operations that have a positive direct relationship to budgetary information in the SBR and to mission critical asset information. The metrics either measure outcomes of better budgeting and asset management information (e.g., Abnormal Fund Balances, Inventory Release Denial Rates) or measure process improvements needed to achieve better budgetary and mission critical asset information.

The above audit readiness progress metrics are provided separately in the remainder of this section of the Report.

PERCENTAGE OF SBR VALIDATED AS AUDIT READY

Figure X-1 illustrates the audit readiness status and goals to be accomplished for the Department’s General Fund SBR, as well as auditability of the Department’s Appropriations Received on the SBR and the FBWT line on the Balance Sheet. As explained in the FIAR Strategy (Appendix 1), achieving FBWT audit readiness is essential to preparing for SBR audits.

The percentages reported in Figure X-1 are calculated based on total amounts reported in the Department’s FY 2009 financial statements. Information in the columns labeled FY 2009 through FY 2012 reflects the percentage validated as audit ready. Information in the columns labeled FY 2013 report the Department’s goals.

By FY 2013, 100 percent of the Department’s Appropriations Received, 20 percent of the Total Budgetary Resources reported in the SBR, and 30 percent of the FBWT reported on the Balance Sheet, will be validated through IPA examinations as audit ready.

Figure X-1. SBR Priority Status and Interim Goals

Status/Goal	FY 2009 (Actual)	FY 2010 (Actual)	FY 2011 (Actual)	FY 2012 (Actual)	FY 2013 (Goal)
SBR Appropriations Received Audit Ready	19%	53%	80%	88%	100%
SBR Audit Ready	13%	14%	14%	14%	20%
FBWT Audit Ready	7%	8%	9%	9%	30%

PERCENTAGE OF MISSION CRITICAL ASSETS VALIDATED AS AUDIT READY

Figure X-2 illustrates the Department’s mission critical asset existence and completeness audit readiness status and goals to be accomplished by the end of FY 2013. Information reported for FY 2009 through FY 2012 reflects the Department’s actual progress. Information reflected under FY 2013 identifies the Department’s goal.

By the end of FY 2013, 42 percent of the Department’s mission critical assets will be validated as audit ready. The remaining lines in the chart report actual progress and goals by category of mission critical asset (e.g., Real Property, Inventory). The percentages are calculated based on the total asset dollar values reported in the Department’s FY 2009 financial statements.

Figure X-2. Mission Critical Asset Existence and Completeness Priority Status and Interim Goals

Status/Goal	FY 2009 (Actual)	FY 2010 (Actual)	FY 2011 (Actual)	FY 2012 (Actual)	FY 2013 (Goal)
Existence and Completeness Audit Ready	4%	4%	4%	41%	42%
Assessable Units					
Military Equipment	0%	0%	0%	36%	37%
Real Property	4%	4%	4%	4%	4%
Inventory	0%	0%	0%	0%	0%
Operating Materials and Supplies	0%	0%	0%	1%	1%
General Equipment	0%	0%	0%	0%	0%

KEY CONTROL OBJECTIVES AND KEY SUPPORTING DOCUMENTATION

To achieve auditability, the Components must:

- Support account balances with sufficient control objectives and design, and implement control activities to limit the risk of material misstatements by meeting key control objectives (KCOs).
- Maintain competent audit evidence, key supporting documentation (KSDs).

To maximize the efficiency and effectiveness of Component audit readiness efforts, the Department identified standard KCOs to mitigate financial reporting risks and KSDs that are required to substantiate transactions and balances.

The Components are identifying existing control activities to meet the KCOs, as well as assessing the quality and availability of supporting documentation needed to assert audit readiness. The KCOs and KSDs are contained in the DoD FIAR Guidance located at <http://comptroller.defense.gov/FIAR/index.html>.

The KCO and KSD metrics are presented in Figures X-3 through X-14, by Military Department, to accomplish the FIAR priorities of:

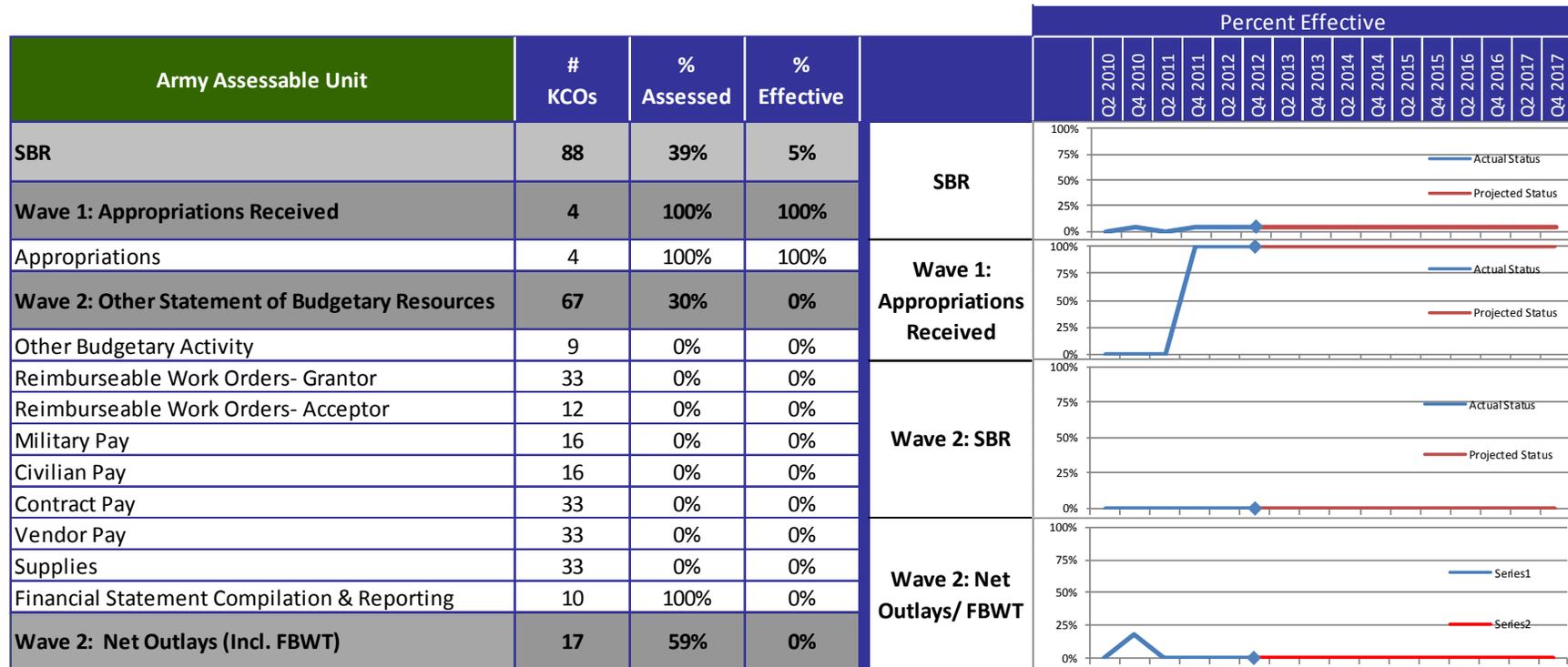
- Budgetary information
- Mission Critical Asset information



Department of the Army



Figure X-3. Army SBR Key Control Objective (KCO) Status and Projections



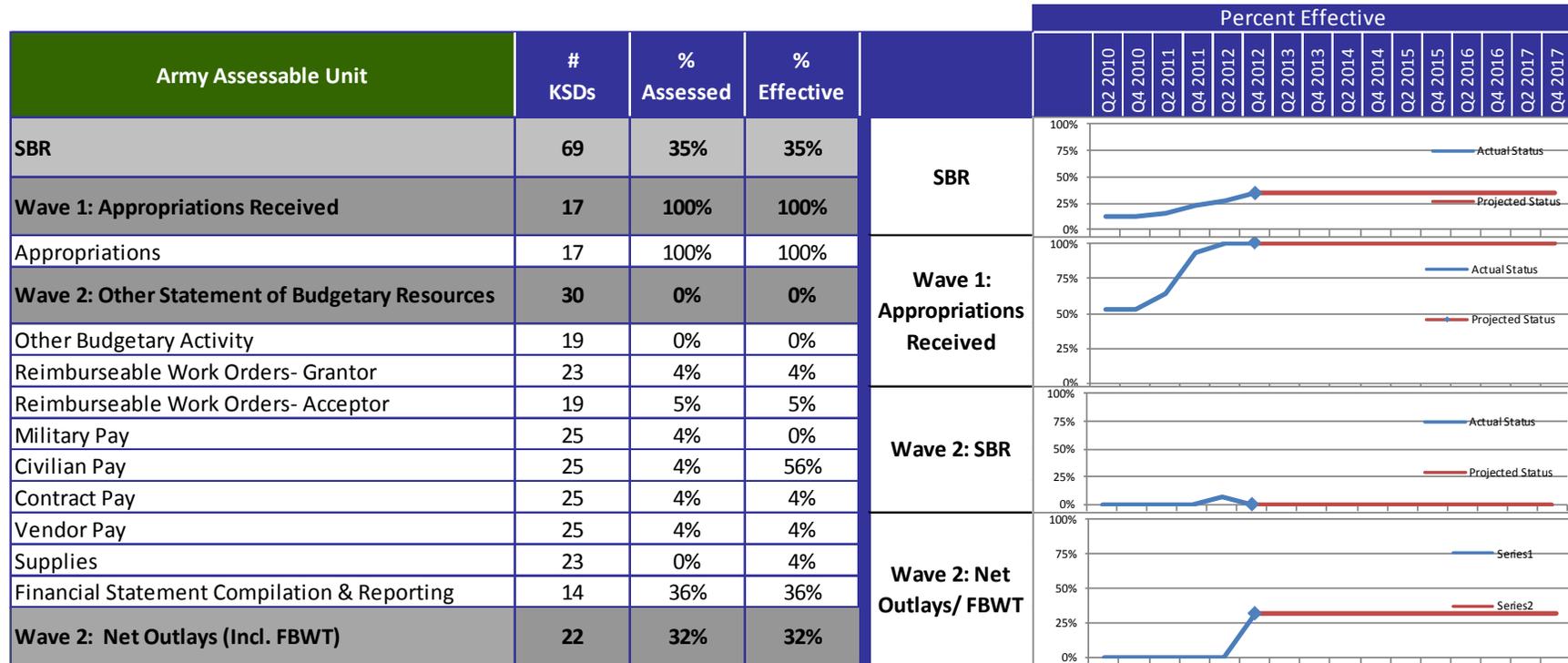
Note 1: Army is currently performing assessments for Wave 2 SBR and Wave 2 Net Outlays/FBWT. The projected effective status (red line) will increase when assessments are completed and projected effective dates are determined.



Department of the Army



Figure X-4. Army SBR Key Supporting Document (KSD) Status and Projection



Note 1: In Wave 1 and Wave 2, there are 14 KSDs related to Internal Controls applicable to all assessable units. For purposes of metrics reporting, these are only counted once.

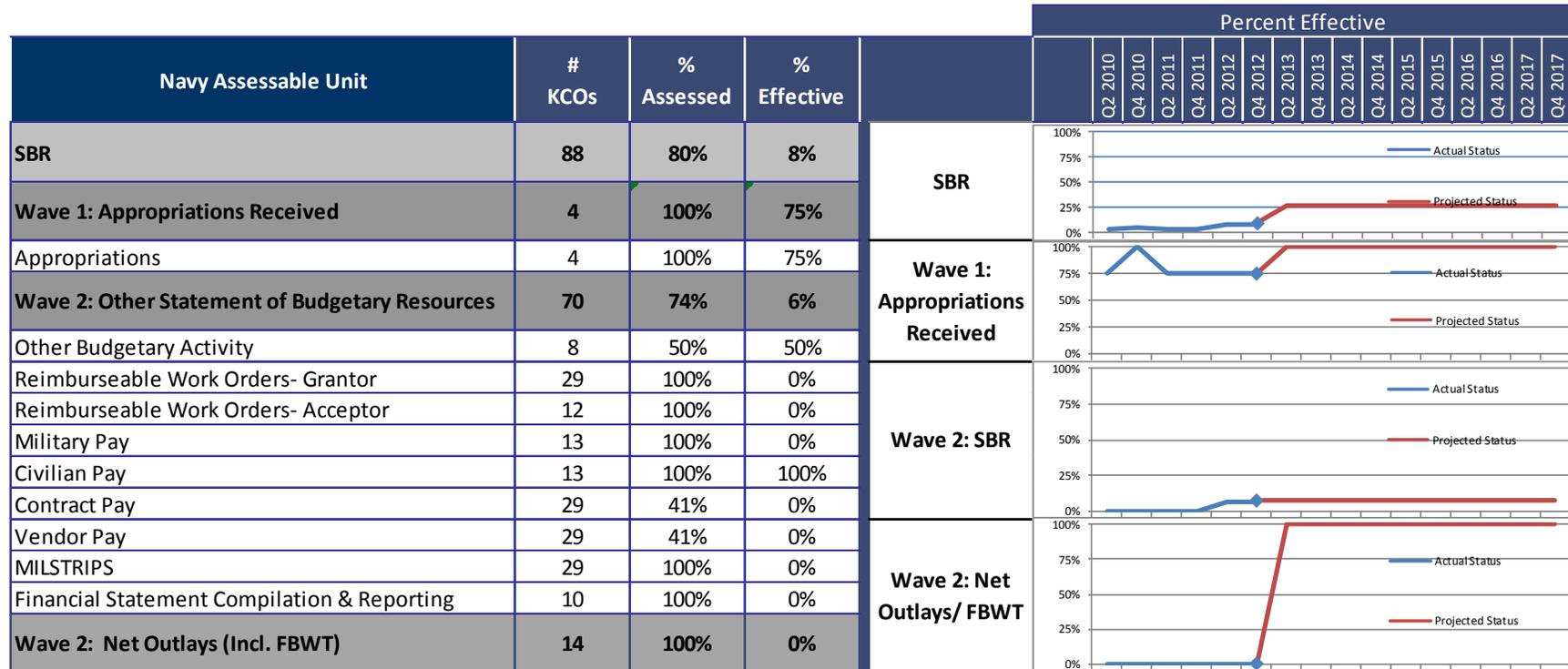
Note 2: Army is currently performing assessments for Wave 2 SBR and Wave 2 Net Outlays/FBWT. The projected effective status (red line) will increase when assessments are completed and projected effective dates are determined.



Department of the Navy



Figure X-5. DON SBR Key Control Objective (KCO) Status and Projections



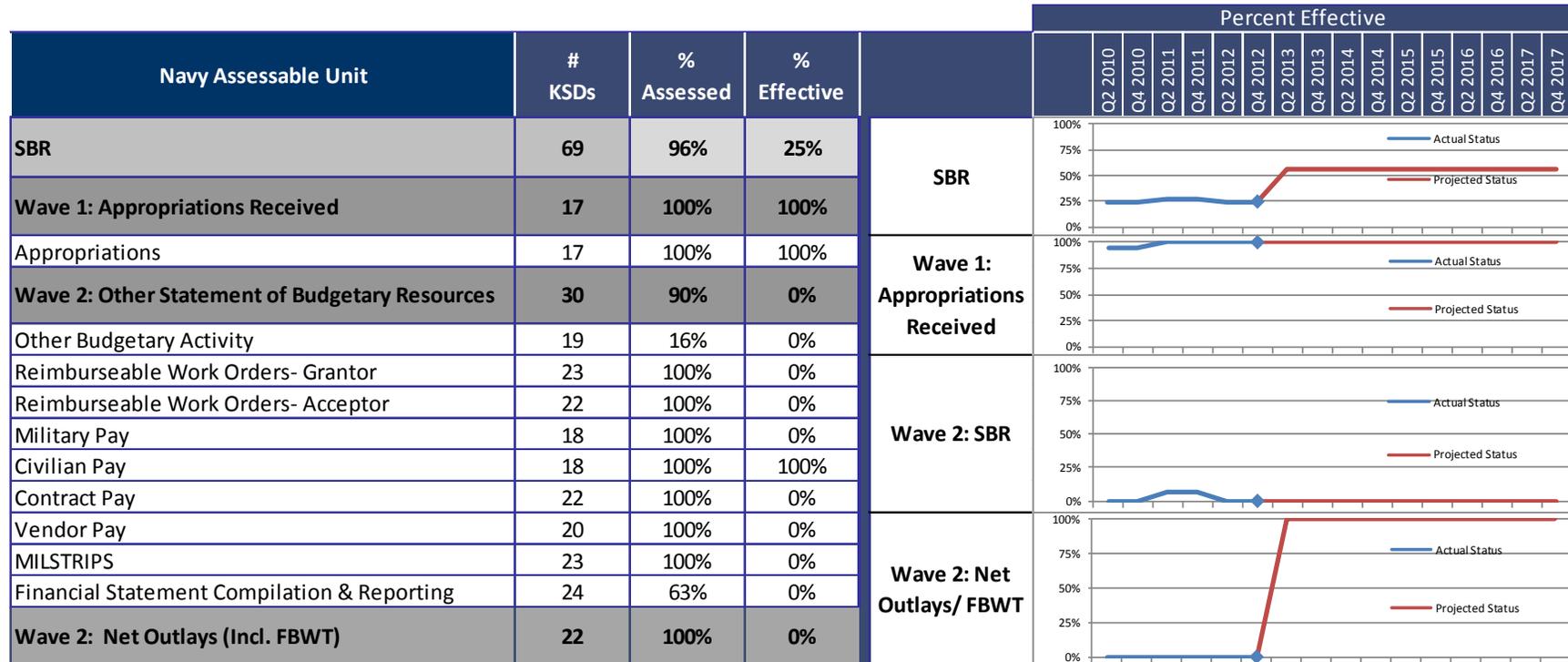
Note 1: Navy is currently performing assessments for Wave 2 SBR. The projected effective status will increase when assessments are completed and projected effective dates are determined.



Department of the Navy



Figure X-6. DON SBR Key Supporting Document (KSD) Status and Projections



Note 1: In Wave 1 and Wave 2, there are 15 KSDs related to Internal Controls applicable to all assessable units. For purposes of metrics reporting, these are only counted once.

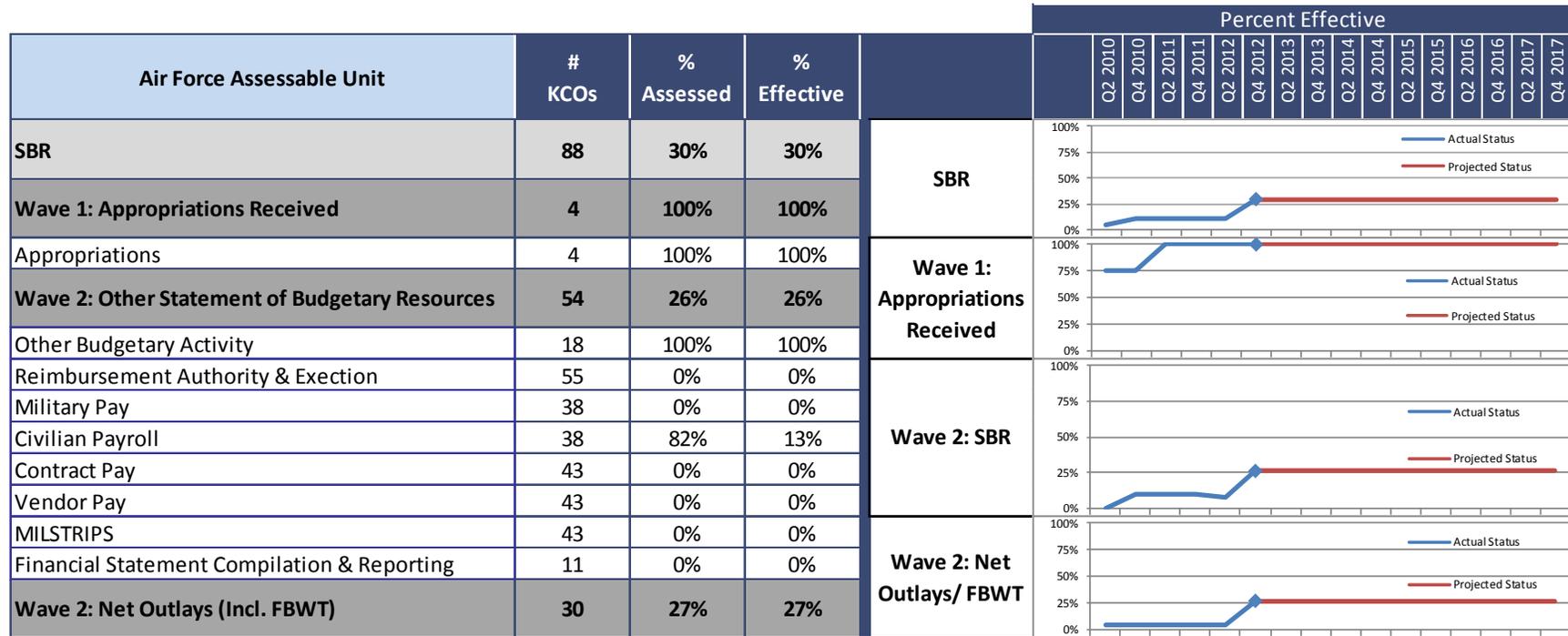
Note 2: Navy is currently performing assessments for Wave 2 SBR. The projected effective status will increase when assessments are completed and projected effective dates are determined.



Department of the Air Force



Figure X-7. Air Force SBR Key Control Objective (KCO) Status and Projections



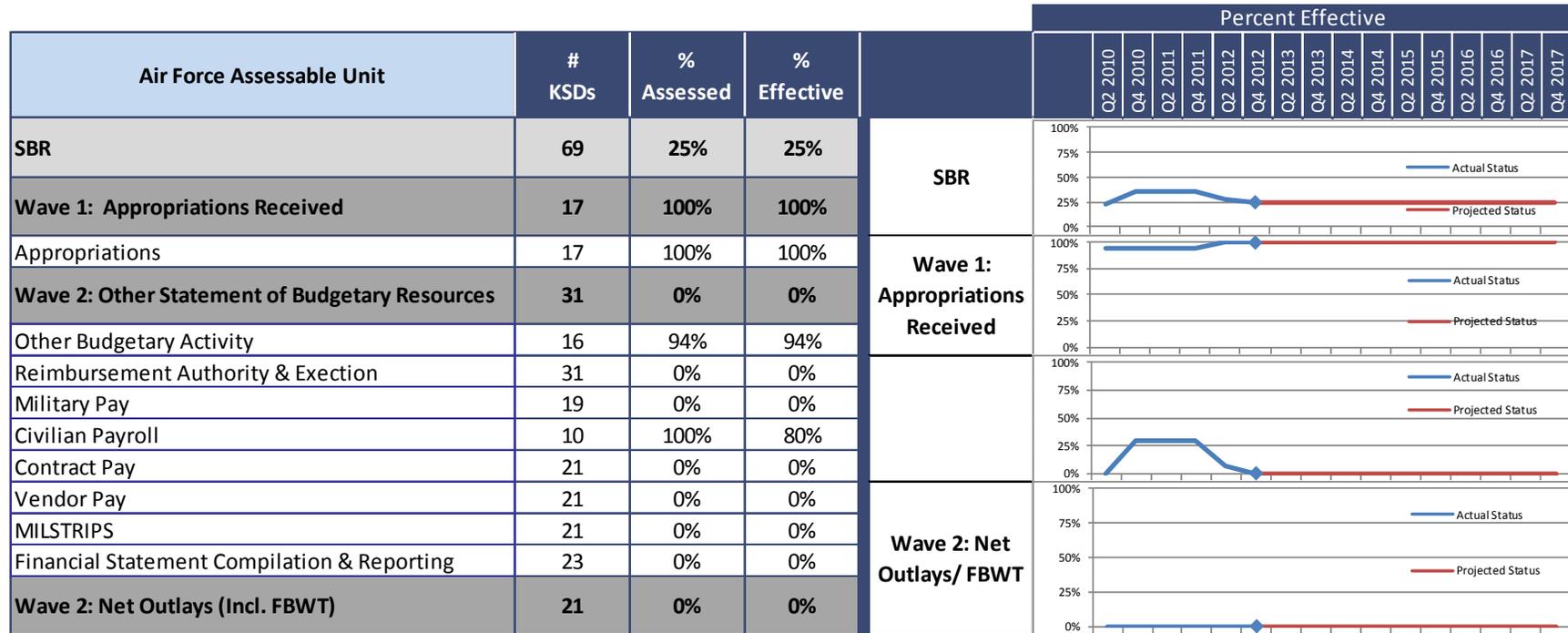
Air Force is currently performing assessments. The projected effective status (red line) will increase when assessments are completed and projected effective dates are determined.



Department of the Air Force



Figure X-8. Air Force SBR Key Supporting Document (KSD) Status and Projections



Note 1: In Wave 1 and Wave 2, there are 16 KSDs related to Internal Controls applicable to all assesable units. For purposes of metrics reporting, these are only counted once.

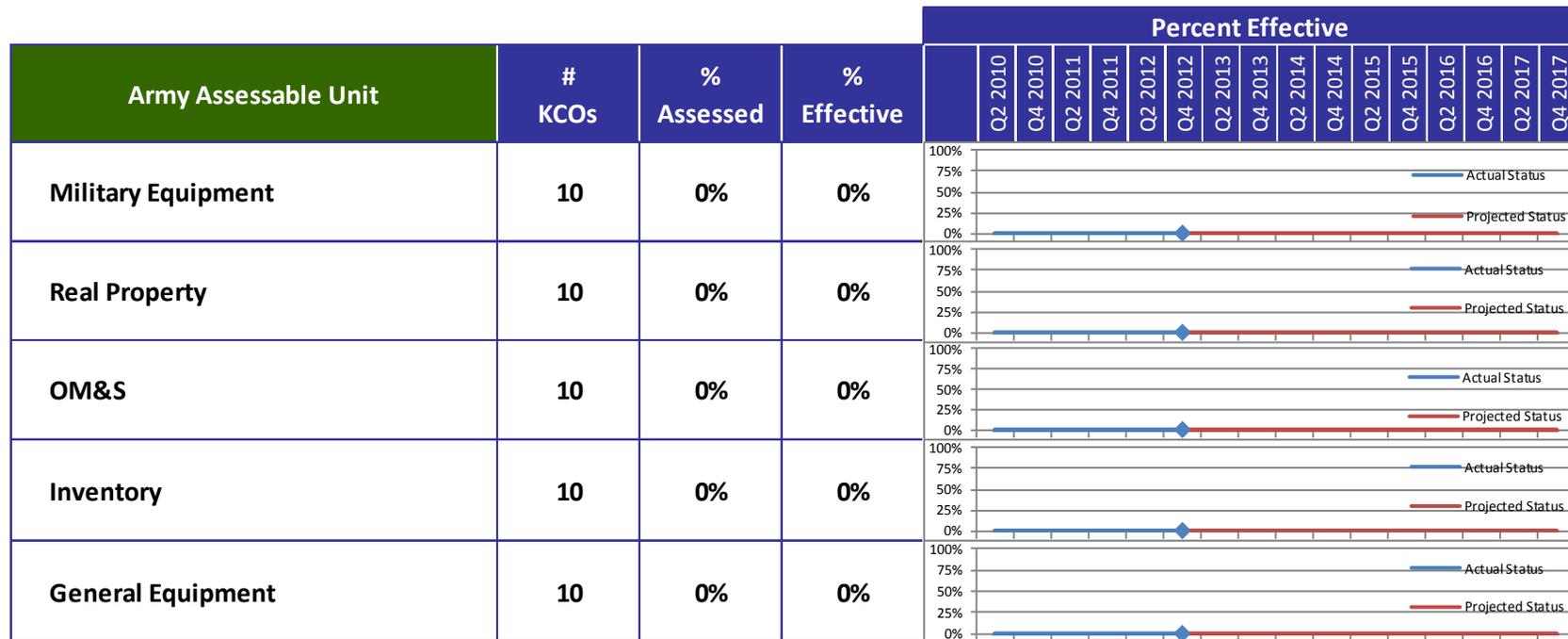
Note 2: Air Force is currently performing assessments. The projected effective status (red line) will increase when assessments are completed and projected effective dates are determined.



Department of the Army



Figure X-9. Army Existence and Completeness Key Control Objective (KCO) Status and Projections



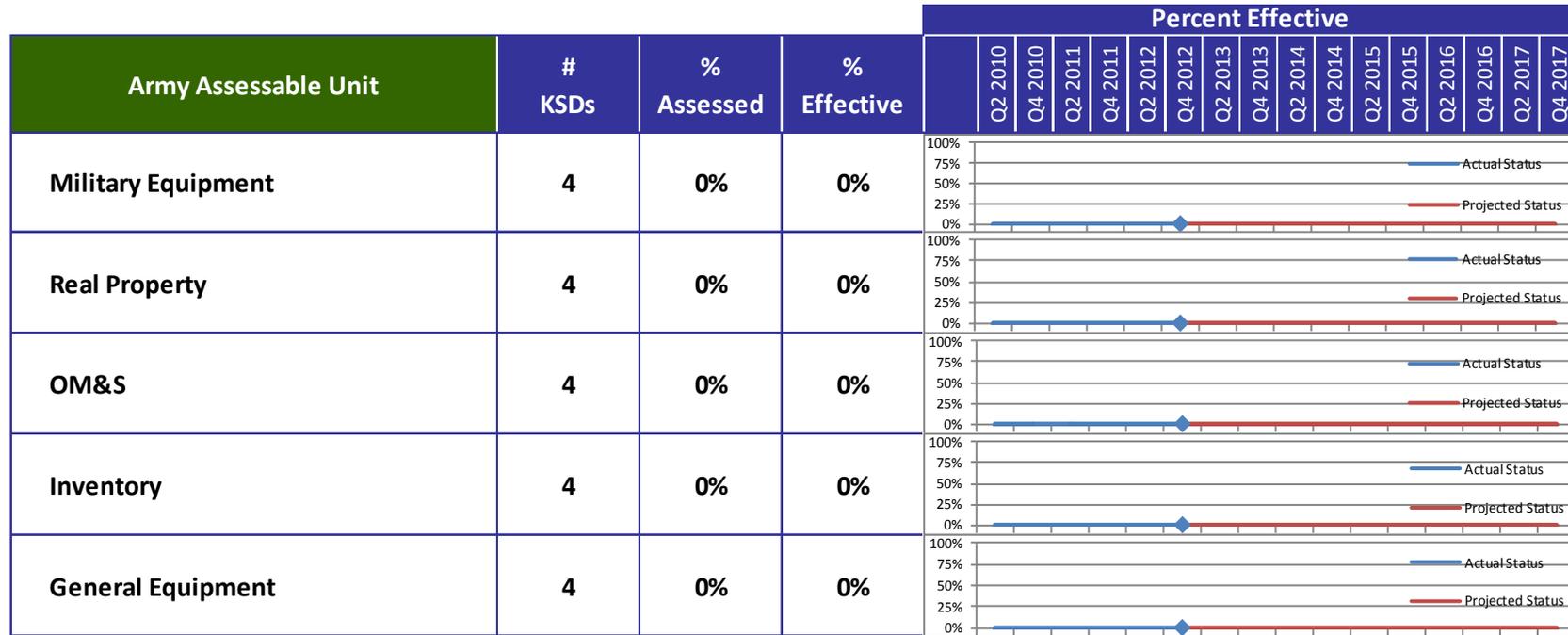
Army is currently performing assessments. The projected effective status will increase when assessments are completed and projected effective dates are determined.



Department of the Army



Figure X-10. Army Existence and Completeness Key Supporting Document (KSD) Status and Projections



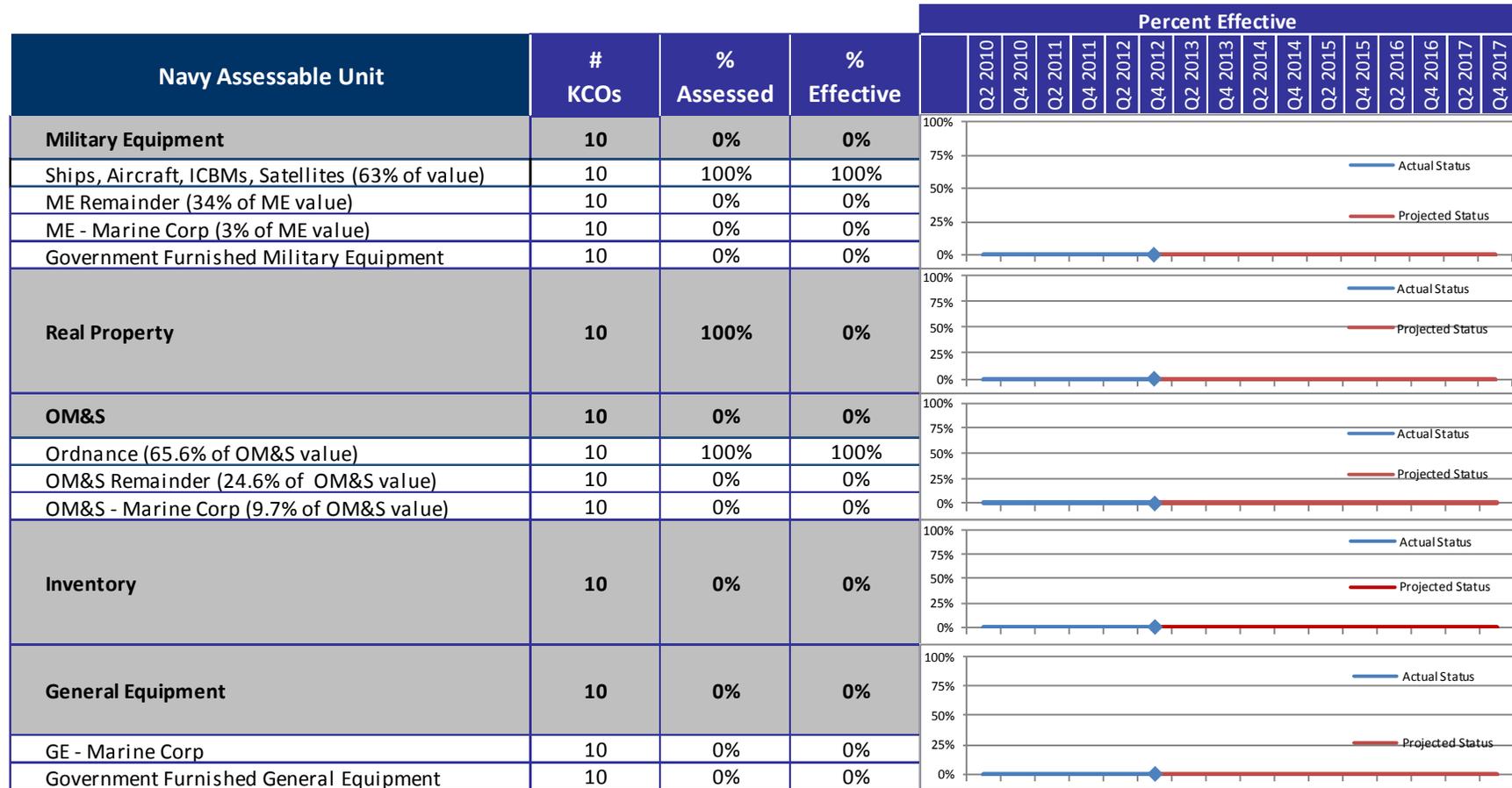
Army is currently performing assessments. The projected effective status will increase when assessments are completed and projected effective dates are determined.



Department of the Navy



Figure X-11. DON Existence and Completeness Key Control Objective (KCO) Status and Projections



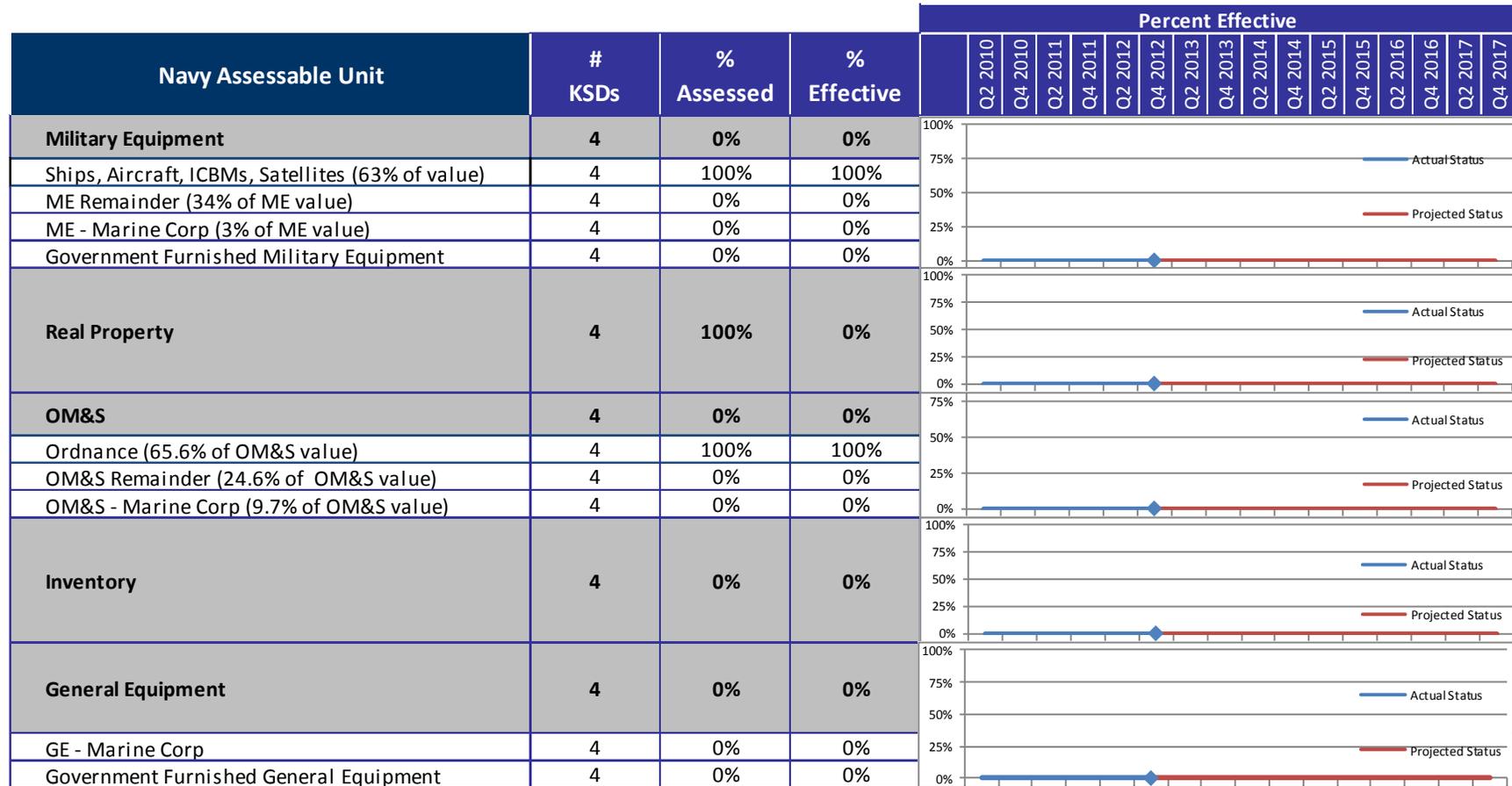
DON is currently performing assessments for Inventory and General Equipment. The projected effective status will increase when assessments are completed and projected effective dates are determined. The Percent Effective graph has been updated retroactively from the May 2012 FPSR. Only quick wins were reflected in the May 2012 FPSR, while the current graph reflects the entire balance.



Department of the Navy



Figure X-12. DON Existence and Completeness Key Supporting Document (KSD) Status and Projections



DON is currently performing assessments for Inventory and General Equipment. The projected effective status will increase when assessments are completed and projected effective dates are determined. The Percent Effective graph has been updated retroactively from the May 2012 FPSR. Only quick wins were reflected in the May 2012 FPSR, while the current graph reflects the entire balance.



Department of Air Force



Figure X-13. Air Force Existence and Completeness Key Control Objective (KCO) Status and Projections



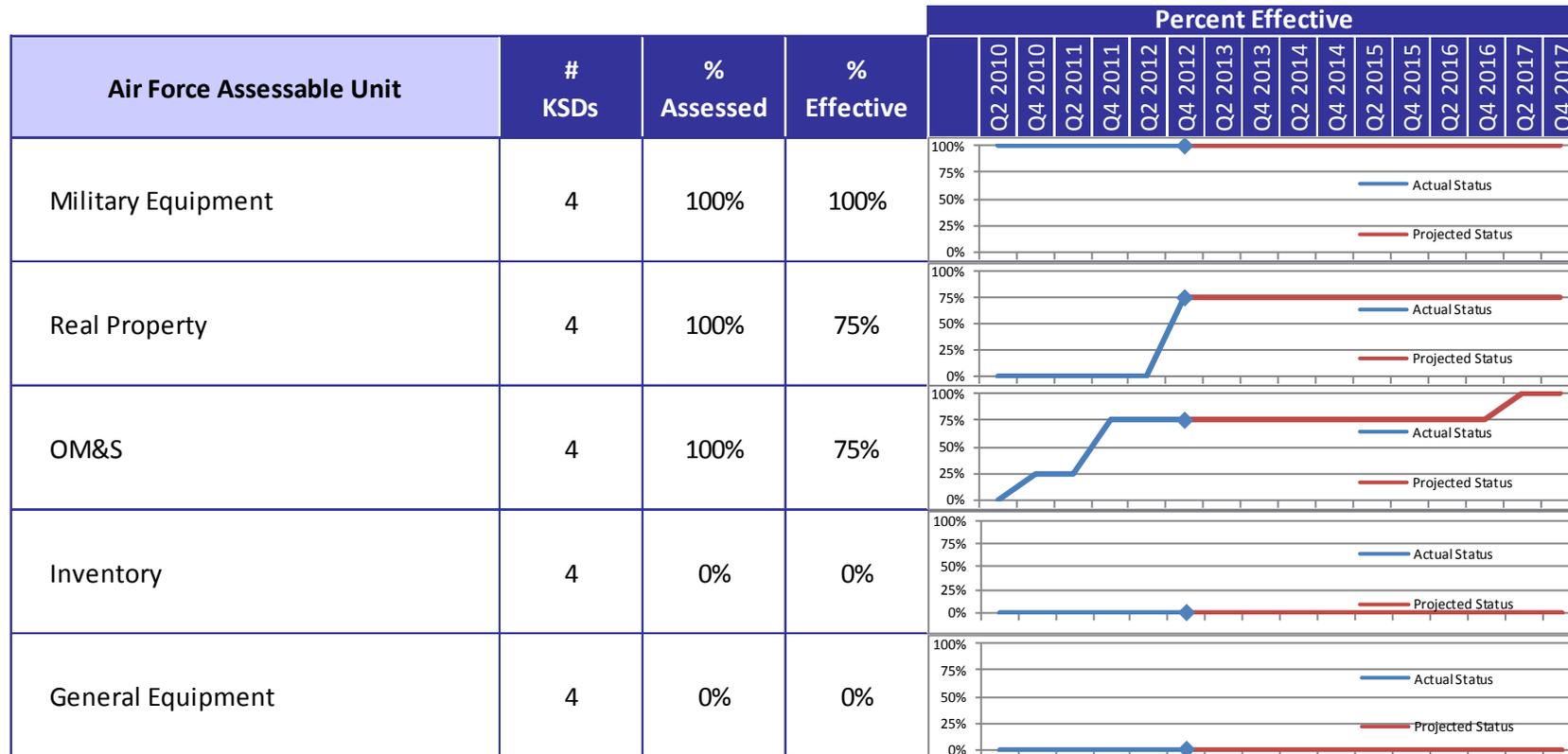
Air Force is currently performing assessments for Real Property, Inventory, and General Equipment. The projected effective status (red line) will increase when assessments are completed. OM&S has eight sub-assessable units. Air Force has asserted four of those. The effective percentage is a reflection of the status of asserted assessable units.



Department of Air Force



Figure X-14. Air Force Existence and Completeness Key Supporting Document (KSD) Status and Projections



Air Force is currently performing assessments for Inventory and General Equipment. The projected effective status (red line) will increase when assessments are completed.

OPERATIONAL IMPROVEMENTS IMPACTING BUDGETARY INFORMATION

DoD Component FIAR activity impacts financial operations and results in operational improvements that have a direct relationship on budgetary information and the audit readiness of the SBR. The Operational Improvement metrics measure progress that improves budgetary information or measure outcomes of better budgeting information (e.g., Abnormal Fund Balances). As the Components proceed with discovery, evaluation, and remediation efforts on SBR assessable units, future positive trends in these metrics are anticipated. In the interim, results likely will continue to fluctuate due to issues related to legacy business processes and identification and correction of issues during implementation and deployment of the Enterprise Resource Planning (ERP) systems.

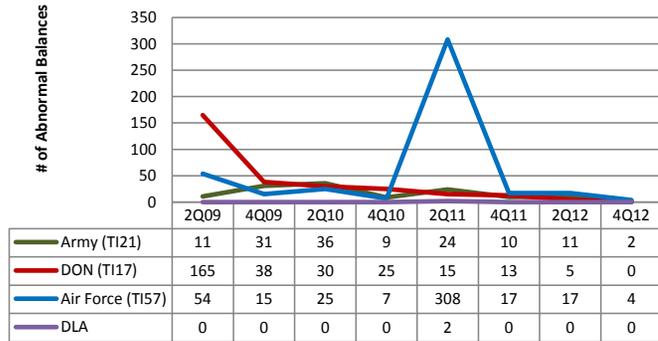
Each metric is accompanied by a description and identifies the goals, benefits, and results. These metrics include the following:

- Figure X-15 Overaged Abnormal AR(M) 1002 Unobligated Balances
- Figure X-16 Overaged In-Transit Disbursements and Collections > 60 days
- Figure X-17 Unmatched Disbursements > 120 Days
- Figure X-18 Problem Disbursements Negative Unliquidated Obligations > 120 days
- Figure X-19 Abnormal SF133 Balances

FIAR Plan Status Report

Figure X-15

Metric Title: Overaged Abnormal AR(M) 1002 Unobligated Balances
Wave 2 - SBR



Description

This metric measures the number of abnormal fund balances, at levels lower than the appropriation level, not resolved within 60 days. An abnormal balance exists when a debit balance account has a credit balance or vice versa.

Goal

0 abnormal balances unresolved in greater than 60 days.

Benefit

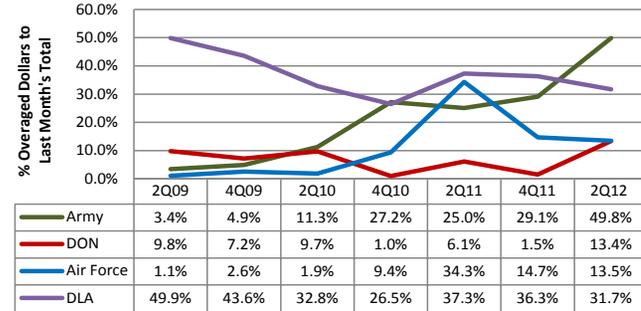
Preventing and/or timely resolution of abnormal fund balances results in more accurate obligation and outlay balances on management reports and the Statement of Budgetary Resources, resulting in better utilization of funds in the year appropriated.

Results

- The Army's abnormal balances decreased from 2Q12 to 4Q12.
- The Air Force's abnormal balances decreased from 2Q12 to 4Q12.
- The Department of the Navy and Defense Logistics Agency has no overaged abnormal balances.

Figure X-16

Metric Title: Overaged In-Transit Disbursements & Collections > 60 days
Wave 2 - SBR



Description:

This metric measures Component timeliness in recording collections and disbursements. An in-transit disbursement or collection is a payment or collection made by one activity on behalf of another accounting activity, but not yet recorded in the general ledger of the accounting entity.

Goal:

To have 5% or less of the prior month's total absolute in-transit balance greater than 60 days old.

Benefit:

Timely recording of disbursements and collections results in greater accuracy of Components' accounts balances on management reports and the SBR resulting in better utilization of funds.

Results:

- Army overaged in-transit percentage decreased from 2Q12 to 4Q12. There are still ongoing issues with GFEBs processing and posting of transactions, and interface issues to and from DCAS. DFAS established a Lean6 project to analyze processes and implement corrective actions. The estimated completion date for corrections is December 2012.
- DON overaged in-transit percentage significantly increased from 2Q12 to 4Q12 due to issues with the ERP Workbench of the Business Activity Monitoring (BAM) application, STARS, and reconciling to the WCF Cash Tool. The estimated completion date for corrections is December 2012.
- Air Force overaged in-transit percentage increased from 2Q12 to 4Q12. Issues with the DEAMS interface to CDS and report and transaction code logic remain. The estimated completion date for corrections is December 2012.
- DLA overaged in-transit percentage decreased in from 2Q12 to 4Q12.

FIAR Plan Status Report

Figure X-17

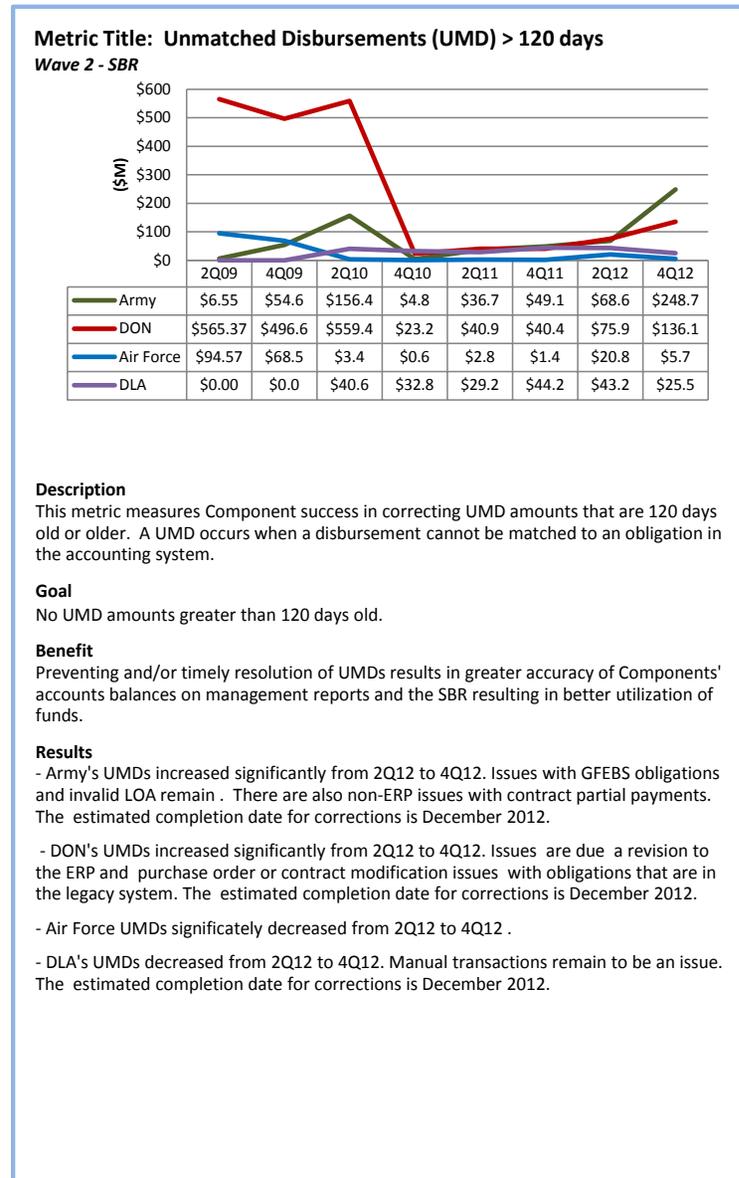


Figure X-18

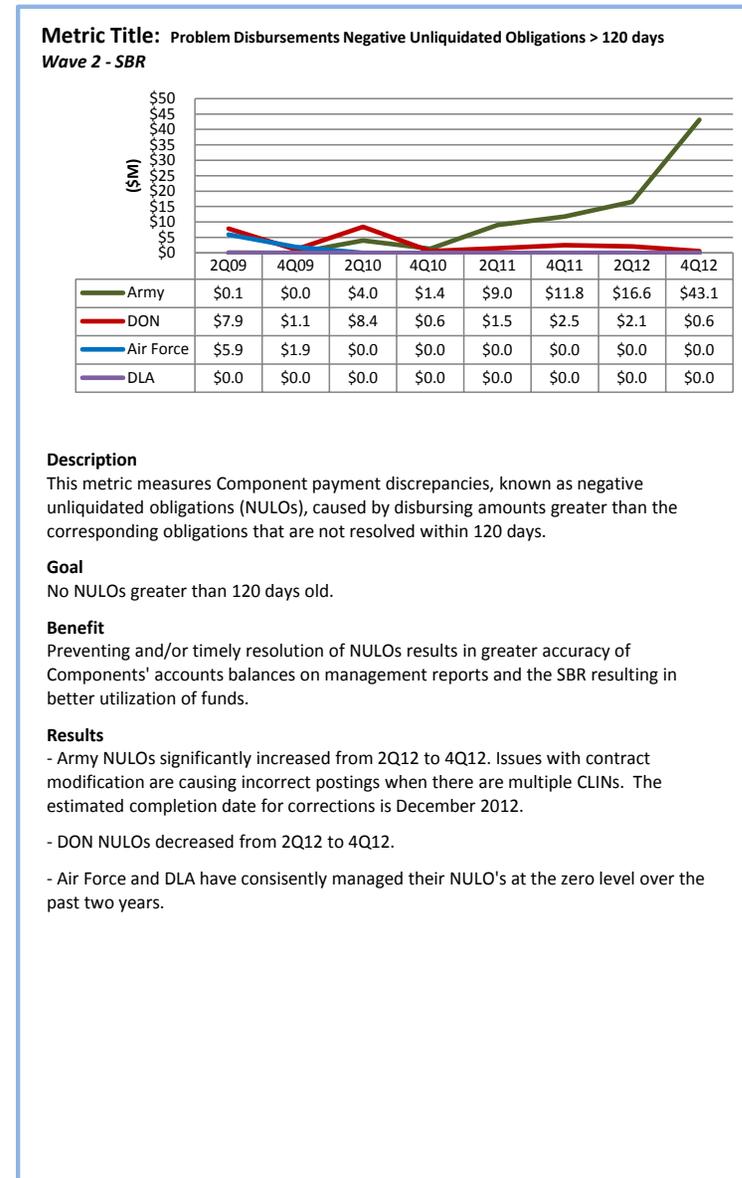
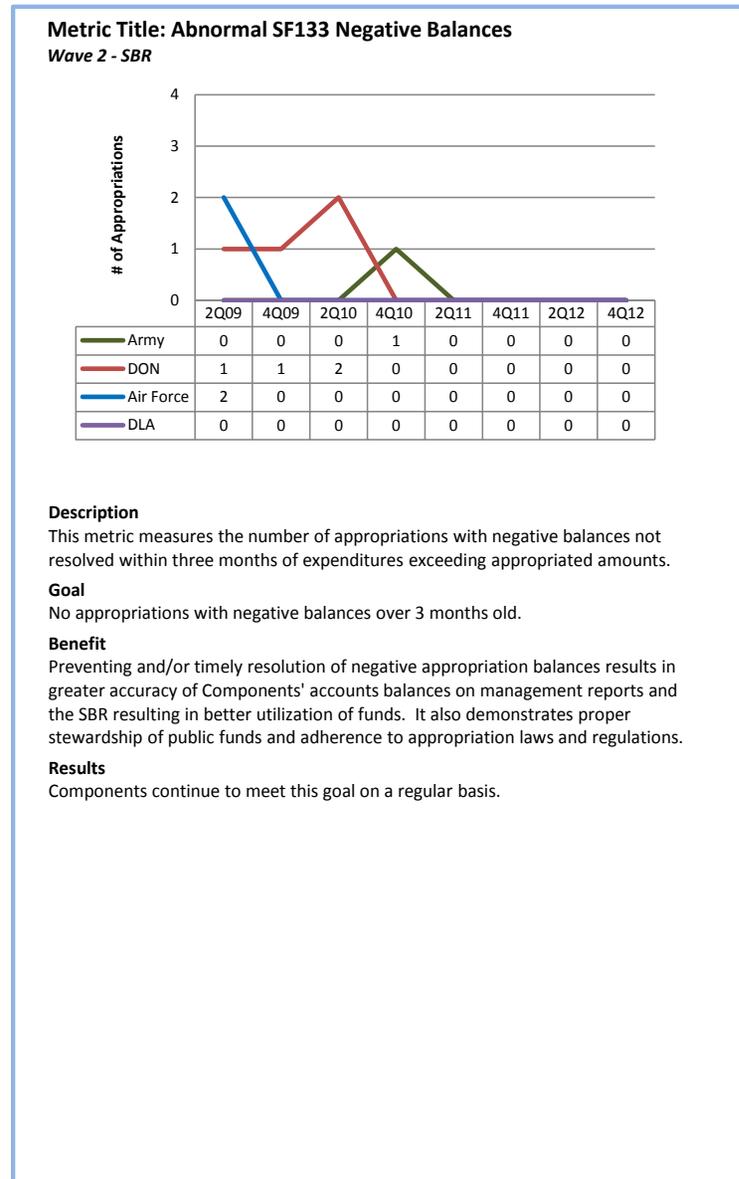


Figure X-19.



OPERATIONAL IMPROVEMENTS IMPACTING MISSION CRITICAL ASSET INFORMATION

The metrics in this subsection measure improvements to functions and capabilities that impact mission critical asset information. They either measure process improvements, needed to achieve better asset information (e.g., Equipment Contracts Compliant with Item Unique Identification (IUID), or outcomes resulting from better asset information (e.g., OM&S Release Denial Rate).

Each of the following metrics includes a description, goal, benefits, and results:

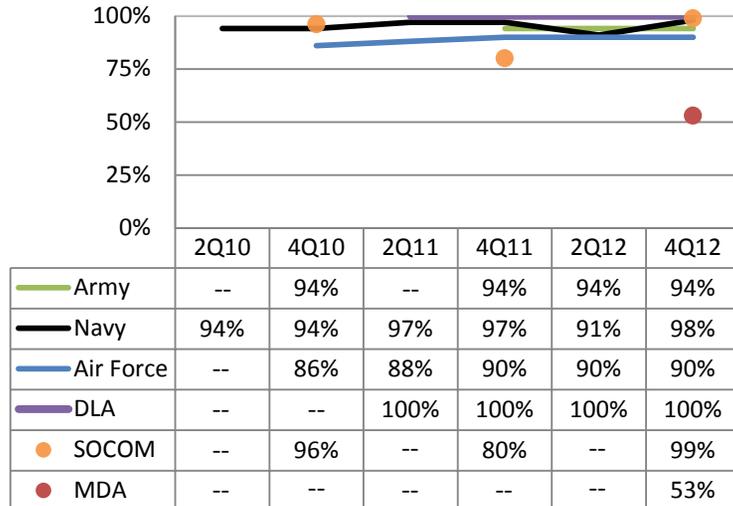
- Figure X-20 Contracts Compliant with Item Unique Identification (IUID)
- Figure X-21 Military Equipment Inventory Completion
- Figure X-22 General Equipment Inventory Completion
- Figure X-23 Real Property Asset Reconciliation
- Figure X-24 Real Property Physical Inventory Completion
- Figure X-25 Physical Inventory Adjustments – Real Property
- Figure X-26 Inventory Valued at Moving Average Cost
- Figure X-27 Inventory Release Denial Rate
- Figure X-28 Physical Inventory Adjustments – Inventory Quantity
- Figure X-29 OM&S Valued at Moving Average Cost
- Figure X-30 Physical Inventory Adjustments – OM&S Quantity

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Figure X-20

Metric Title: Contracts Compliant with Item Unique Identification (IUID)

Wave 3 - Existence and Completeness



Description:

DoD policy requires that contracts for DoD assets include a requirement for contractors to mark assets with a unique item identifier upon delivery to the government. In December 2007, the Department directed Components to report contract compliance in a Score Card to the Defense Procurement and Acquisition Policy (DPAP) Office. This metric tracks the percentage, by Component, of contracts compliant with the Directive as reported to DPAP.

Goal:

100% IUID contract compliance.

Benefit:

Compliance with this requirement supports audit readiness and the tracking of DoD assets. Improving DoD asset visibility and traceability provides more accurate data to support management decisions for improved readiness for military missions.

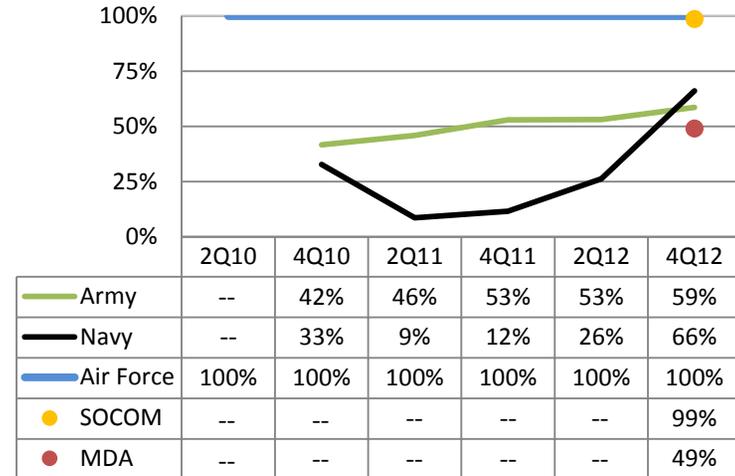
Results:

Compliance with IUID requirements remains consistently high across the Department, but with the exception of DLA, is not yet at 100%. SOCOM reports this metric annually. MDA is reporting for the first time and is implementing corrective actions to improve its percentage.

Figure X-21

Metric Title: Military Equipment Inventory Completion

Wave 3 - Existence and Completeness



Description:

DoDI 5000.64 requires Components to inventory all Military Equipment (ME) assets at least every 3 years. This metric shows the percentage of Components' military equipment, as of a specific point in time, that has been inventoried during the previous 3 years.

Goal:

100% of ME assets inventoried over a 3-year time span.

Benefit:

Physical inventory is a key control activity and is vital to audit readiness.

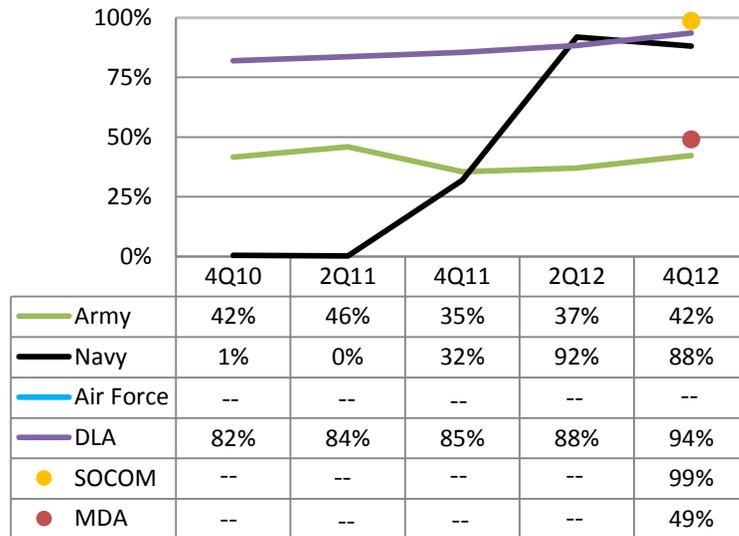
Results:

Navy's percentage (which does not include Marine Corps) increased significantly through the use of an improved data capture process. Army also reports steady progress and Air Force reports at 100%. SOCOM (which excludes MARSOC) and MDA were not able to segregate ME and GE assets for the purposes of this metric and MDA is currently implementing a corrective action to increase its percentage.

FIAR Plan Status Report

Figure X-22

Metric Title: General Equipment Inventory Completion Wave 3 - Existence and Completeness



Description:

DoDI 5000.64 requires Components to inventory all equipment assets at least every 3 years. This metric shows the percentage of Components' general equipment, as of a point in time, that has been inventoried during the previous 3 years.

Goal:

100% of general equipment assets are inventoried over a 3 year time span.

Benefit:

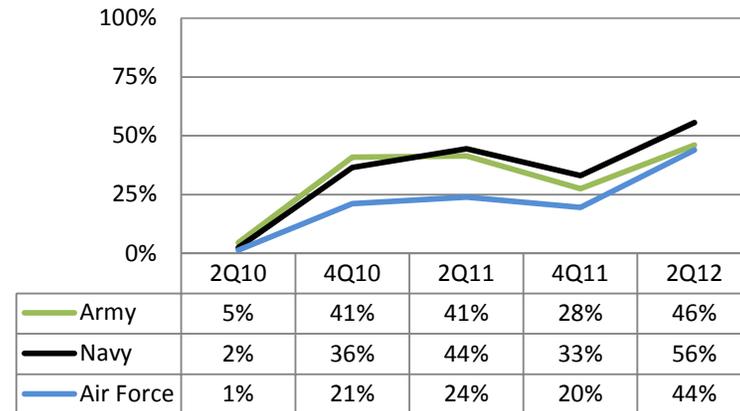
Physical inventory is a key control activity and is vital to audit readiness.

Results:

Navy results increased from 2011 primarily due to including ground support equipment, previously not captured in this metric. The Army continues to identify ways to capture physical inventories performed at the unit level. DLA and SOCOM (excluding MARSOC) have inventoried over 90% of their GE. Air Force has updated its system to collect GE inventory data, but is not yet able to report this metric. MDA is currently implementing a corrective action to increase its percentage.

Figure X-23

Metric Title: Real Property Asset Reconciliation Wave 3 - Existence and Completeness



Description:

In accordance with DoDI 4165.14, all DoD real property data must be reconciled among the Defense Agencies and Military Services. This metric displays the percent of Components' real property meeting this requirement.

Goal:

100% of Defense Agencies' real property assets reconciled by the end of FY11.

Benefit:

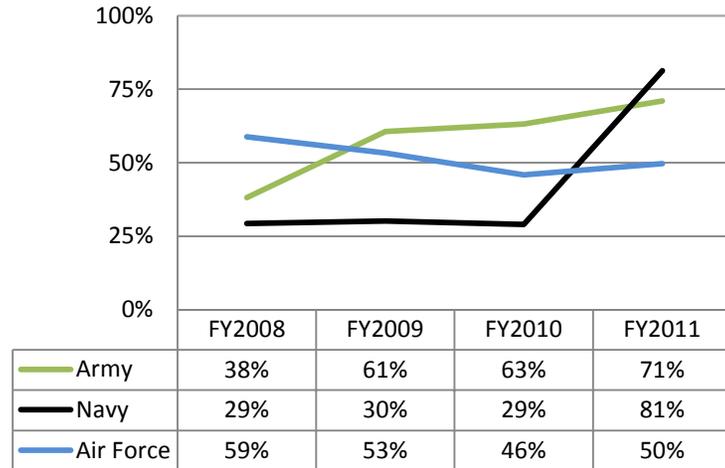
Reconciling real property records will provide management with better access to accurate, complete data which will facilitate better decision making and support audit readiness.

Results:

The Department did not meet its goal to reconcile 100 percent of real property by the end of FY 2011; the goal will be revisited. Reconciliation percentages in 4Q11 declined because processes were not being sustained, and as a result new assets were frequently not reconciled. In addition, many corrections of identified discrepancies were not recorded in a timely manner. Reconciliation rates have begun to improve again in 2Q12. 4Q12 data was not available in time for this report.

Figure X-24

Metric Title: Real Property Physical Inventory Completion
Wave 3 - Existence and Completeness



Description:

DoDI 4165.14 requires Components to inventory all real property assets at least every five years. This metric shows the percentage of Services' real property inventoried within a 5 year time span against the total number of reported assets.

Goal:

Physical inventory of 100% of real property assets over a five year period.

Benefit:

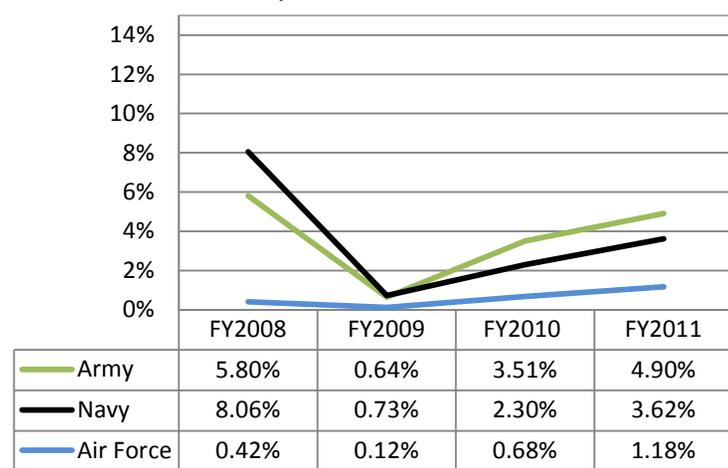
Inventory of all real property is important for audit readiness, especially pertinent to completeness, but also supporting other assertions as well. This metric provides a status on the Services' compliance with this important control activity.

Results:

All Services' real property physical inventory percentages increased, with the Navy making significant gains by devoting more effort and resources. Data is submitted annually by the Services for this metric. Data for FY12 was not available in time for this report.

Figure X-25

Metric Title: Physical Inventory Adjustments - Real Property
Wave 3 - Existence and Completeness



Description:

DoDI 4165.14 requires Components to inventory all real property assets at least every five years. This metric shows the percentage of a Component's real property asset records that are either added ("found on post", "inventory adjustment") or archived ("loss by inventory") from its real property inventory. Beginning in FY2010, the category of "other" was also added to the adjustment criteria. Significant additions or deletions as a result of inventory activities may indicate internal control weaknesses.

Goal:

Physical inventory process confirms the effectiveness of the acquisition and disposal processes and results in no material adjustments.

Benefit:

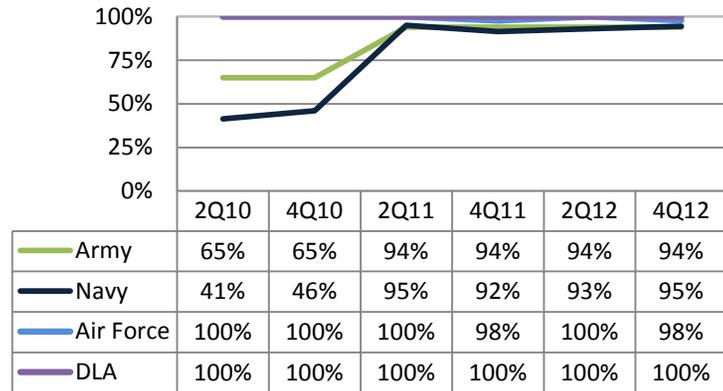
Accurate property records enable managers to effectively plan for and execute the DoD mission.

Results:

"Found on post", "loss by inventory", and "Other" adjustments fell and then increased again as Services continue to clean up older records through physical inventory activities. Data for FY12 was not available in time for this report.

Figure X-26

Metric Title: Inventory Valued at Moving Average Cost
Wave 4 - Valuation



Description:

This metric shows the Components' status as a percentage of dollars for valuing appropriate inventory at a moving average cost (MAC). This costing method is used in conjunction with a perpetual inventory system. A weighted average cost per unit is recalculated following each purchase. This costing method is required by DoD.

Goal:

100% of Inventory valued at MAC, where applicable.

Benefit:

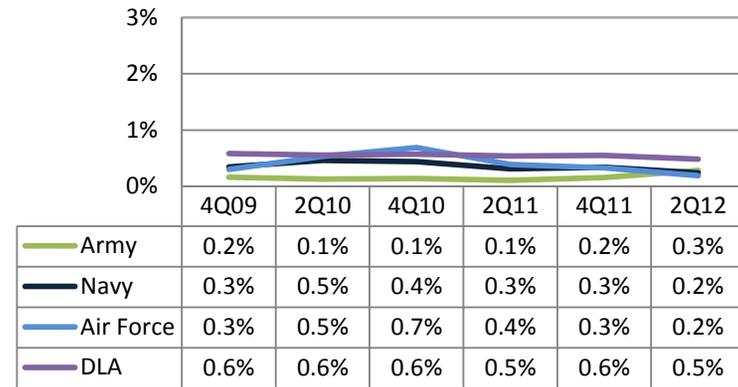
Valuing inventory at MAC will bring DoD into compliance with current Federal accounting standards and DoD regulations. It will also provide users of financial reports the most accurate picture of the actual value of inventory in stock.

Results:

Inventory is consistently valued at moving average cost across the Department.

Figure X-27

Metric Title: Inventory Release Denial Rate
Wave 3 - Existence and Completeness



Description:

This metric displays the percentage of requested Inventory material releases that were not shipped by a warehouse or distribution center due to the requested assets not being of the type, quantity or location indicated in the system. While there are appropriate reasons to deny the release of Inventory, denials as a result of inaccurate records may indicate poor controls related to asset existence.

Goal:

Denial rates due to inaccurate records remain under 1%.

Benefit:

Tracking denial rates provides visibility into a critical function of Inventory management. Inventory records and quantities need to be accurate to ensure that supplies are refreshed and available when needed for missions.

Results:

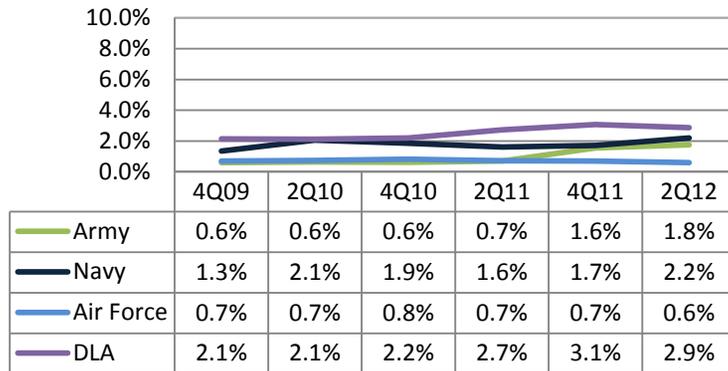
Army, Navy, Air Force and DLA show consistent denial rates of less than 1%. This is a positive indicator of existence controls. Data for 4Q12 was not available for this report due to the time it takes to validate the data.

Figure X-28

Metric Title: Physical Inventory Adjustments-Inventory

Quantity

Wave 3 - Existence and Completeness



Description:

Inventory is periodically counted to ensure stock levels are accurate. This metric shows the percentage of a component’s inventory balance managed by DLA that is adjusted as a result of “balance affecting” transactions (receipts and issues) during a three month time period. Significantly high adjustment rates as a result of inventory activities may indicate internal control weaknesses. While DLA continuously seeks to enhance process control activities, the volume of inventory transactions in DLA facilities requires substantial physical and systemic monitoring to project an accurate inventory posture, which allows DLA customers to better determine asset availability. This metric has been re-baselined back to 4Q09 due to improved data available from the Inventory Control Effectiveness (ICE) Report.

Goal:

Have sufficient controls in place so that physical inventory adjustments are minimized and reflect the accuracy of inventory records.

Benefit:

Accurate inventory records enable commanders and managers to effectively plan for and execute the DoD mission.

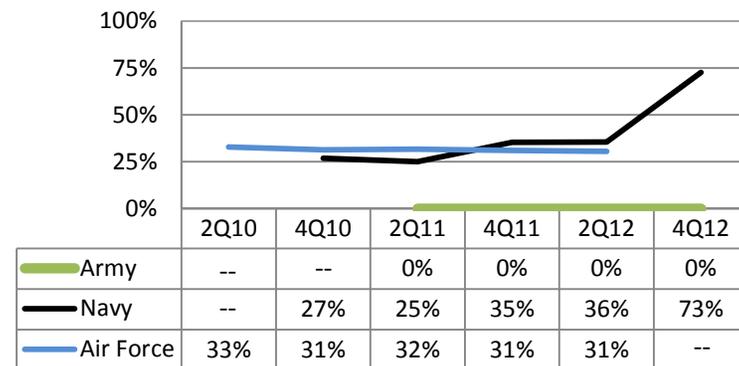
Results:

The overall DoD transaction adjustment rate for inventory managed by DLA is consistently low. 4Q12 data was not available in time for this report.

Figure X-29

Metric Title: OM&S Valued at Moving Average Cost

Wave 4 - Valuation



Description:

This metric shows the Components’ status as a percentage of dollars for valuing appropriate operating material and supplies at a moving average cost (MAC). This costing method is used in conjunction with a perpetual inventory system. A weighted average cost per unit is recalculated following each purchase. This costing method is required by DoD.

Goal:

100% of OM&S valued at MAC.

Benefit:

Valuing OM&S at MAC will bring DoD into compliance with current Federal accounting standards and DoD regulations. It will also provide users of financial reports the most accurate picture of the actual value of OM&S in stock.

Results:

Further progress in valuing OM&S at MAC is dependent on additional systems functionality currently being implemented. For example, Army anticipates a significant increase in OM&S valued at MAC when LMP is fully implemented. Navy made considerable progress during FY12. Air Force was not able to provide data for this metric in time for this report.

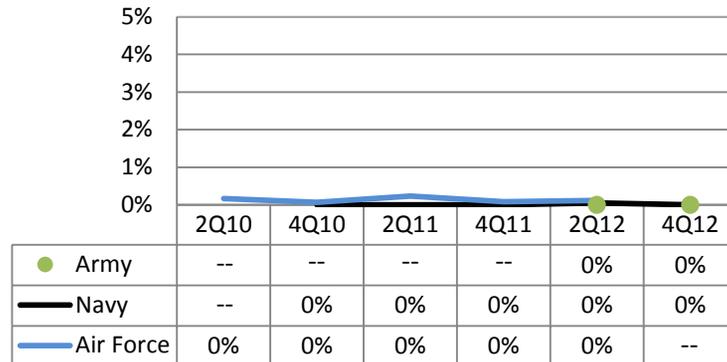
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Figure X-30

Metric Title: Physical Inventory Adjustments - OM&S

Quantity

Wave 3 - Existence and Completeness



Description:

Operating material and supplies are periodically counted to ensure stock levels are accurate. This metric shows the percentage of a Component's OM&S balance that is adjusted as a result of physical inventory activities during a six-month time period. Significant adjustments as a result of inventory activities may indicate internal control weaknesses. Poor acquisition controls can result in positive adjustments, while poor controls over OM&S usage can result in negative adjustments.

Goal:

Have sufficient controls in place so that physical inventories confirm the accuracy of OM&S records and result in no material adjustments.

Benefit:

Accurate OM&S records enable commanders and managers to effectively plan for and execute the DoD mission.

Results:

Adjustments to OM&S remain low across the Services. This is a positive indication of internal controls. Air Force was not able to provide data for this metric in time for this report.

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Appendix 1. FIAR Strategy and Methodology

A clear, comprehensive strategy and methodology for achieving audit readiness is critical to ensuring limited resources are assigned effectively to facilitate measurable and sustainable progress. The FIAR Strategy provides a critical path for the Department, balancing the need to achieve short-term accomplishments with the long-term goal of obtaining an unqualified opinion on the Department's financial statements. The goals of the FIAR Strategy are aligned with the DoD Strategic Management Plan (SMP) priorities for strengthening financial management.

The FIAR Methodology is comprised of two similar and interrelated methodologies--one methodology for reporting entities and another for service providers. Both methodologies consist of a series of phases, key tasks, and underlying detailed activities that reporting entities and service providers must follow to improve financial information and achieve audit readiness. It also provides an organized structure to manage the FIAR Plan, facilitating oversight of improvement activities and holding people and organizations accountable for progress.

The following sections provide an overview of the DoD SMP, FIAR Strategy, and FIAR Methodology. The FIAR Strategy and Methodology are included in the DoD FIAR Guidance, located at: <http://comptroller.defense.gov/FIAR/guidance.html>.

DOD STRATEGIC MANAGEMENT PLAN (SMP)

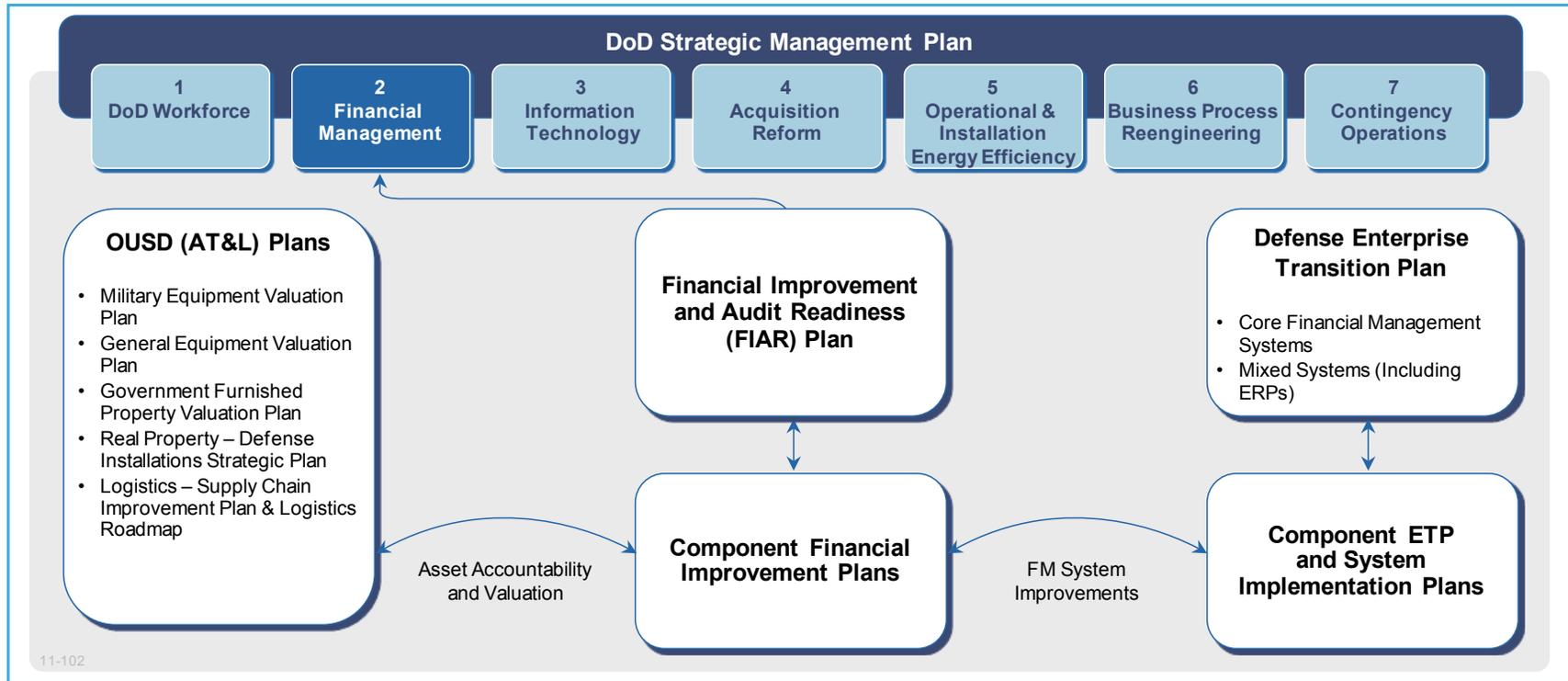
The Department's SMP, a requirement of the NDAA for FY 2008, establishes seven top-level business goals for communicating needed changes in the Department's "business domain" and to structure unity of effort across the enterprise. Business Goal 2, "Strengthen DoD Financial Management," establishes required outcomes, goals, measurements, and key initiatives to ensure DoD leaders have access to timely, relevant, and reliable financial and cost information to make informed decisions.

As shown in Figure A1-1, the FIAR Plan provides the strategy and methodology to achieve the outcomes of SMP Business Goal 2 by integrating the Components' FIPs with the other key DoD plans, such as OUSD(AT&L) plans, Defense Enterprise Transition Plan (ETP), and System Implementation Plans. The outcomes, goals, and measures associated with Business Goal 2 focus on improving financial information for fact-based, actionable management decisions and achieving auditable financial statements.

One of the outcomes of Business Goal 2 is to "Demonstrate good stewardship of public funds." The USD(C)/CFO is responsible for achieving this outcome and the associated goal, which is to "Increase the audit readiness of individual Components." The FIAR Plan and Component FIPs have been synchronized with their ETP milestones to achieve the FIAR goals and SMP outcomes.

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Figure A1-1. FIAR Plan Relationship to the DoD Strategic Management Plan and Other DoD Plans



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AUDIT READINESS PRIORITIES

The FIAR priorities were established to focus Component improvements on processes, controls, and systems supporting information most often used to manage the Department, while continuing to work toward financial improvements that facilitate unqualified audit opinions on financial statements. Accordingly, the FIAR Plan places a high priority on:

Budgetary information (auditable SBR)

Mission critical assets information

The audit readiness priorities are specifically addressed within the FIAR Strategy.

FIAR STRATEGY

Each of the Department's material financial statement line items have unique and complex accounting and auditing challenges that must be overcome before auditability can be achieved. The FIAR Strategy groups and prioritizes the material business processes, which ultimately result in financial activities and information reported in the financial statements, within one of four waves. Each Component or reporting entity then summarizes the steps taken to address each wave. The waves and steps are prioritized based on USD(C)/CFO priorities, known challenges, and the dependencies of financial statements, line items, and business processes on one another.

Figure A1-2. FIAR Strategy



The Department's FIAR Strategy (Figure A1-2) draws from the strengths of several alternative approaches and groups individual end-

to-end processes into one or more waves. Efforts are prioritized within each wave by end-to-end processes that affect corresponding line-items reported on multiple financial statements.

This strategy ensures coverage of all financial statements, while prioritizing and first improving the information most often used by DoD management (FIAR priorities). Successful completion of these four waves will lead to the achievement of interim audit readiness milestones, and ultimately, to a full-scope financial statement audit.

The reporting entities must ensure that appropriate controls are in place and operating effectively for relevant financial reporting processes prior to asserting each wave as audit ready (e.g., controls over the presentation and disclosure of the SBR must be asserted as audit ready at the end of Wave 2).

The four distinct waves that comprise the FIAR Strategy lead to audit readiness milestones that will be validated by an independent auditor once controls are in place and operating effectively, and the appropriate management assertions have been made.

The Audit Readiness Strategy "waves" representing significant levels of effort and accomplishments are:

- Wave 1 – Appropriations Received Audit
- Wave 2 – Statement of Budgetary Resources (SBR) Audit
- Wave 3 – Mission Critical Asset Existence and Completeness Audit
- Wave 4 – Full Audit, Except for Existing Asset Valuation

Wave 1, Wave 2, and Wave 3 should be performed concurrently because they focus on both of the USD(C)/CFO priorities: budgetary and mission critical asset information. Once reporting entities have achieved audit readiness for Waves 1, 2 and 3, they will commence Wave 4 audit readiness activities. An explanation of each of the waves follows.

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Wave 1 – Appropriations Received Audit

Wave 1 focuses on the processes and related controls associated with the receipt and distribution (through apportionments, allotments and sub-allotments) of Congressionally appropriated funds. Wave 1 is critically important to the Department’s overall financial improvement efforts, because it is the first step in receiving, recording, and tracking the funds provided to the Department to accomplish its mission. Recognizing the importance of this critical first step, the USD(C)/CFO directed Components to focus on achieving audit readiness for Wave 1. Accordingly, the Military Departments completed FIAR activities, submitted management audit readiness assertions, and an IPA firm audited Appropriations Received, which resulted in unqualified or “clean” opinions for the Army, Navy, and Air Force. The other Defense organizations also completed FIAR activities and asserted audit readiness of Wave 1, Appropriations Received.

Wave 1 financial management benefits include:

- Improved accuracy and reliability of appropriated funds recorded in DoD systems.
- Improved accuracy of prior year funding amounts reported in the Department’s annual submission for the President’s Budget.

Wave 2 – Statement of Budgetary Resources Audit

Wave 2 includes processes, internal controls, systems, and supporting documentation that must be audit ready before the SBR can be audited. The financial transactions that are summarized and reported on the SBR also affect other financial statements. The most important financial relationships are found between the SBR and the Balance Sheet. Specifically, because of the strong relationship between the FBWT line item on the Balance Sheet and SBR line items, the Department’s strategy for achieving successful completion of Wave 2 is dependent on achieving an auditable FBWT balance. For example, weaknesses in recording collection and disbursement transactions must be remediated before the FBWT Balance Sheet line item can be audit ready.

Wave 2 financial management benefits include:

- Increased transparency of budgetary transactions, which results in more effective use of limited resources.
- Increased operational efficiencies due to readily available and accurate cost and financial information (e.g., more accurate obligation data for the planning, programming, budgeting, and funds execution processes and fewer unmatched disbursements).
- Improved fiscal stewardship through reduced improper payments.
- Improved budgetary processes and controls, which facilitate compliance with laws and regulations, such as the Anti-deficiency Act.
- Budgetary execution linked to the President’s Budget, which facilitates a standard and consistent financial environment.

Wave 3 – Mission Critical Asset Existence and Completeness Audits

Wave 3 focuses primarily on the Existence and Completeness assertions, but also includes the Rights assertion and portions of the Presentation and Disclosure assertion. During execution of Wave 3 audit readiness activities, reporting entities must ensure:

- All assets that are recorded in the Accountable Property Systems of Record (APSR) exist (Existence).
- All assets are recorded in the APSR (Completeness).
- The reporting entity has the right (Rights) to report the assets.
- Assets are consistently categorized, summarized, and reported from period to period (Presentation and Disclosure).

Improving the receipt of goods processes in the Procure-to-Pay process (in Wave 2) will help support and sustain the Existence and Completeness assertions in future periods, especially for those assessable units with a high volume of purchasing activity.

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Wave 3 financial management benefits include:

- Increased transparency and visibility of the Department's total assets.
- Improved reliability and accuracy of the logistics supply chain and inventory systems, which ensure that items needed by the warfighter are on-hand and available when needed and not procured unnecessarily.
- Improved ability to acquire, maintain and retire assets in a timely manner.
- Improved management information.
- Better control over assets, preventing misuse, theft, or loss.

Wave 4 – Full Audit, Except for Existing Asset Valuation

Building on the audit readiness momentum and progress from earlier waves, Wave 4 includes all other areas, including Environmental Liabilities, needed for full financial statement audit except for establishing the value of existing General Property, Plant, and Equipment PP&E), Inventory, and Operating Materials and Supplies (OM&S).

The Department organized its audit readiness waves to recognize and best leverage the interdependencies between budgetary and proprietary accounting information. As Wave 2 focuses on the SBR and its underlying budgetary accounting records, the proprietary accounting records reported on the Balance Sheet also become audit ready. The following interdependencies will be leveraged to accelerate progress and results in Wave 4:

- Delivered Orders, reported on the SBR, equate to a portion of Accounts Payable reported on the Balance Sheet.
- Spending Authority from Offsetting Collections, reported on the SBR, includes amounts reported in Accounts Receivable – Intragovernmental on the Balance Sheet.

- Unobligated Balances and Unpaid Obligations, reported on the SBR, correlate to FBWT reported on the Balance Sheet.
- Obligations Incurred, reported on the SBR, equates to a substantial portion of Gross Costs reported on Statement of Net Cost.

Wave 4 financial management benefits include:

- Achieving the goal of obtaining an unqualified opinion on all financial statements.
- Providing more reliable and accurate logistics supply chain information on the cost of Inventory and OM&S items.
- Improving the quality of information used by management when making operational decisions about capital investments in Military Equipment and General Equipment.

FIAR METHODOLOGY

The Department's methodology for achieving improved financial information and auditability has evolved and been refined since the FIAR Plan first was issued in 2005. The current FIAR Methodology is more focused, effective, and consistent across DoD reporting entities and service providers. Regardless of this evolution, much of the methodology remains:

- Integrated with the implementation and requirements set forth by OMB Circular A-123, Appendix A.
- Integrated with the modernization of business and financial systems.
- Comprehensive, focusing improvements on policies, processes, controls, systems, data, audit evidence, and human capital.

The FIAR Methodology, which prescribes a standardized set of steps, must be followed by reporting entities and service providers in sequential order to achieve audit readiness. The methodology incorporates lessons learned from earlier audit readiness initiatives and:

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- Identifies and focuses financial improvement activities on the achievement of financial reporting objectives (FROs) through a combination of control activities and Key Supporting Documents (KSDs).
- Includes use of a standard framework for recording and tracking the status and progress of reporting entity audit readiness activities in FIPs.

Reporting Entity FIAR Methodology Phases and Key Tasks

Before publication of the FIAR Plan in 2005, the Department developed “Business Rules” that required reporting entities to execute a phased approach to achieve auditability. The Business Rules also established a process for the OUSD(C) and the DoD OIG to monitor and evaluate the audit readiness status of a reporting entity before a financial statement audit was initiated. This process reduced the risk of an unsuccessful audit.

The Business Rules have since been refined and currently are referred to as “phases” within the FIAR Methodology. The methodology provides a step-by-step approach to achieve improved financial information and audit readiness. Figure A1-3 provides a graphical depiction of the phases and the key tasks within each phase.

The phases and key tasks, listed below, can be applied uniformly regardless of the size, materiality, or scope of an assessable unit:

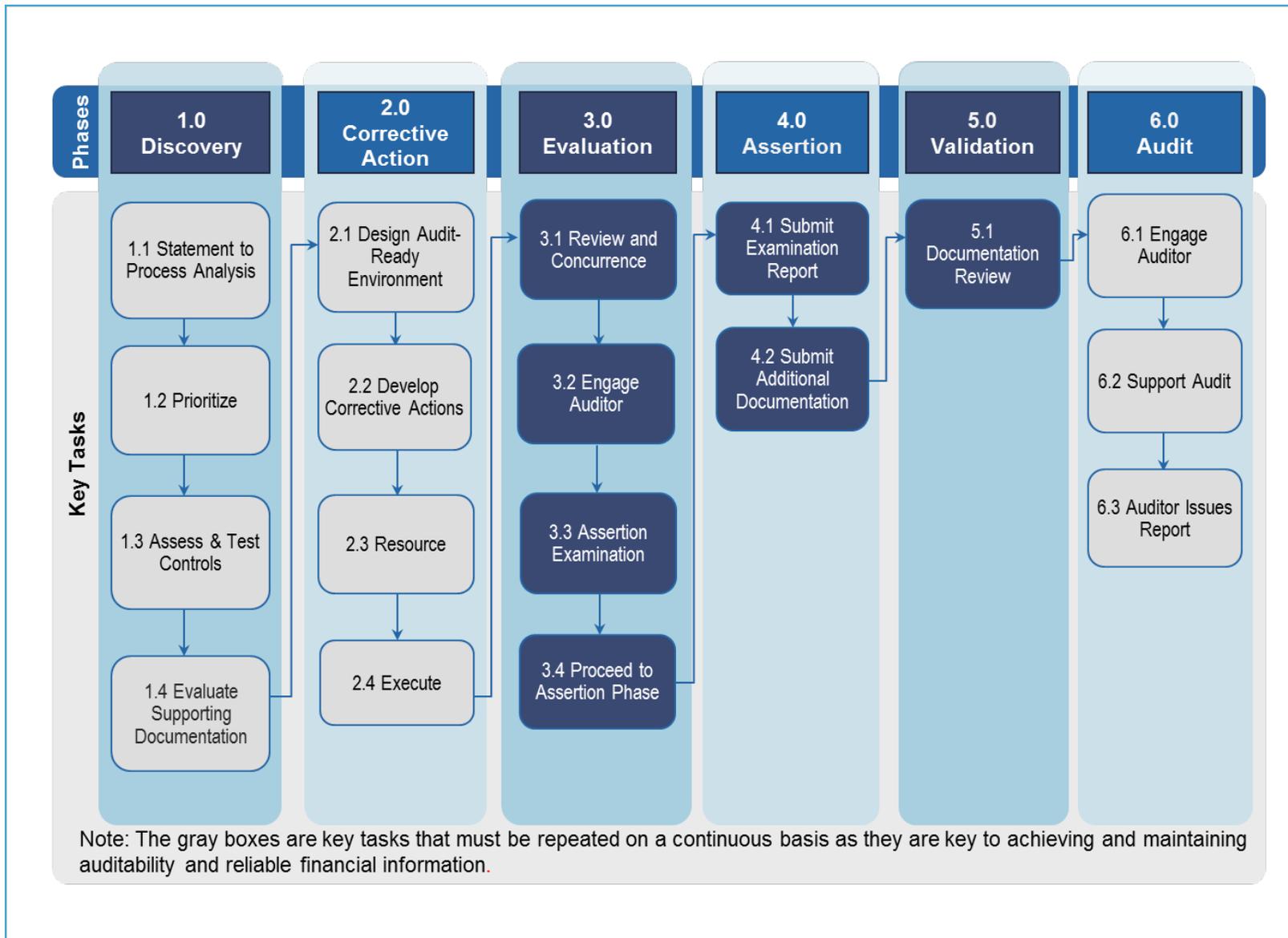
1. Discovery. Reporting entity documents its business processes and financial environment; defines and prioritizes its processes into assessable units, and assesses risks; defines financial reporting objectives and control activities; tests the design and operational effectiveness of control activities; evaluates the sufficiency and accuracy of KSDs; identifies any weaknesses or deficiencies; and submits annual Internal Controls over Financial Reporting (ICOFR) Statement of Assurance.
2. Corrective Action. Reporting entity defines and designs its audit readiness environment; documents solutions to resolve each deficiency identified during the Discovery phase; identifies

resources required and committed (funding and staffing) to implement corrective actions; executes corrective action plans to remediate identified deficiencies; performs procedures to verify that corrective action plans have been successfully implemented; and notifies the OUSD(C) that corrective actions have been implemented and that management believes the business process is audit ready.

3. Evaluation. OUSD(C) evaluates reporting entity’s work products developed during the Discovery and Corrective Action phases, and engages an IPA or the DoD OIG to perform an examination of the reporting entity’s audit readiness assertion. Reporting entity evaluates the nature and extent of the deficiencies noted; implements corrective actions to remediate the deficiencies; and performs procedures to verify that deficiencies have been successfully remediated.
4. Assertion. Reporting entity submits the IPA or DoD OIG examination report on its audit readiness assertion to the OUSD(C) and the DoD OIG, and submits additional documentation demonstrating that deficiencies have been successfully remediated.
5. Validation. The OUSD(C) and DoD OIG review the auditor examination report and additional documentation submitted by the reporting entity demonstrating remediation of deficiencies and makes a final determination of the reporting entity audit readiness state.
6. Audit. The DoD OIG or an IPA performs the audit of the assessable unit or complete financial statements, and the reporting entity’s management supports the audit.

Detailed information explaining the FIAR Methodology, to include a description of the phases and key tasks, can be found in the FIAR Guidance document issued by the OUSD(C). The FIAR Guidance can be found on the Department’s FIAR website at: <http://comptroller.defense.gov/FIAR/guidance.html>

Figure A1-3. Reporting Entity FIAR Methodology Phases and Key Tasks



FIAR Plan Status Report

Service Provider FIAR Methodology Phases and Key Tasks

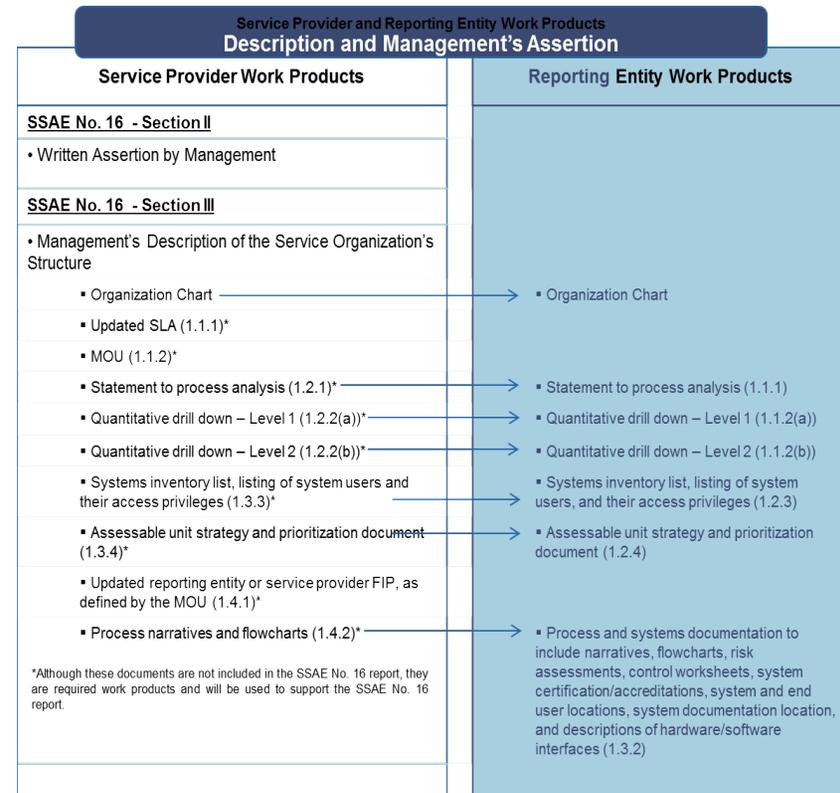
The Department developed an audit readiness methodology to implement the FIAR Strategy for service providers. This methodology, summarized in Figure A1-5, illustrates the phases, key tasks and resulting work products the service providers must complete to demonstrate SSAE No. 16 examination readiness. The service provider methodology aligns with the Reporting Entity FIAR Methodology (Figure A1-3) used by the reporting entities to demonstrate audit readiness.

Service providers who elect to forego obtaining an SSAE No. 16 examination must coordinate with the reporting entity to determine how they will support the reporting entity's audit readiness efforts. Service providers are responsible for executing the key tasks and activities in the Discovery and Corrective Action phases of the FIAR Methodology for their processes, systems and controls that affect the reporting entity's financial reporting objectives. Specifically, service providers must achieve the key financial reporting objectives by implementing a combination of control activities and supporting documentation, which will ultimately be audited as part of the reporting entity's financial statement audit.

Figure A1-4 illustrates the service provider work products required by SSAE 16, as well as depicting how service provider work products align to support customer reporting entity work products. The service providers' work products will be incorporated into customer reporting entity assertion documents.

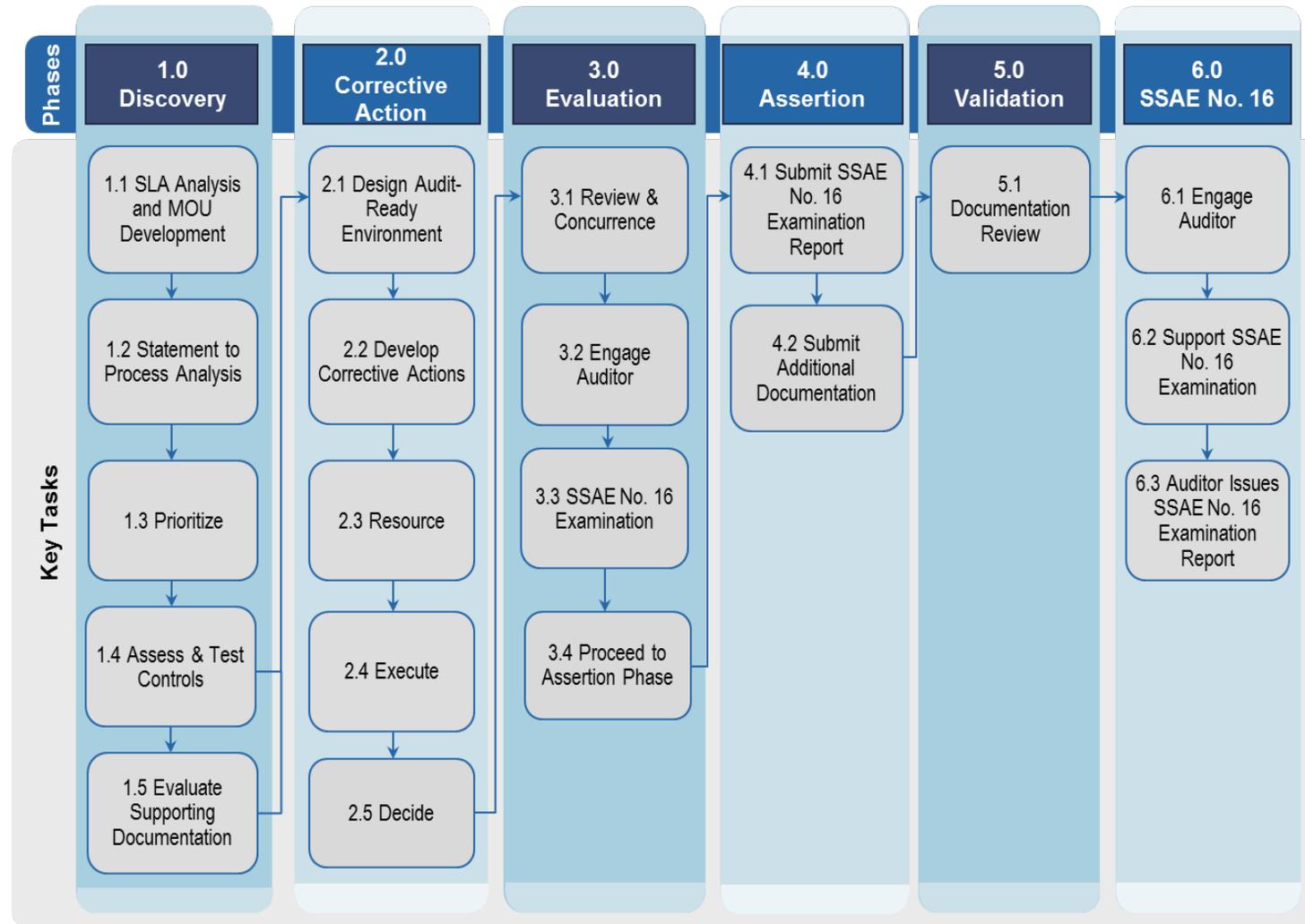
Consistent with the FIAR Strategy, the Department is focusing service provider audit readiness resources on the services that support Wave 2. Section VII of this Report identifies the service providers and their audit readiness plans.

Figure A1-4 Service Provider Work Products – SSAE 16



FIAR Plan Status Report

Figure A1-5 Service Provider FIAR Methodology Phases and Key Tasks



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Appendix 2. FIAR Governance

The Department is using a governance process and structure that engages all key stakeholders. Figure A2-1 provides a graphical representation of the governance structure, the participants, and their roles.

The Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO) provides the vision, goals, and priorities of the FIAR Plan, which are coordinated with stakeholders within the Department (e.g., Military Departments), as well as outside the Department (Office of Management and Budget and Congress). The Deputy Secretary of Defense/Chief Management Officer (CMO) approves the vision, goals, and priorities.

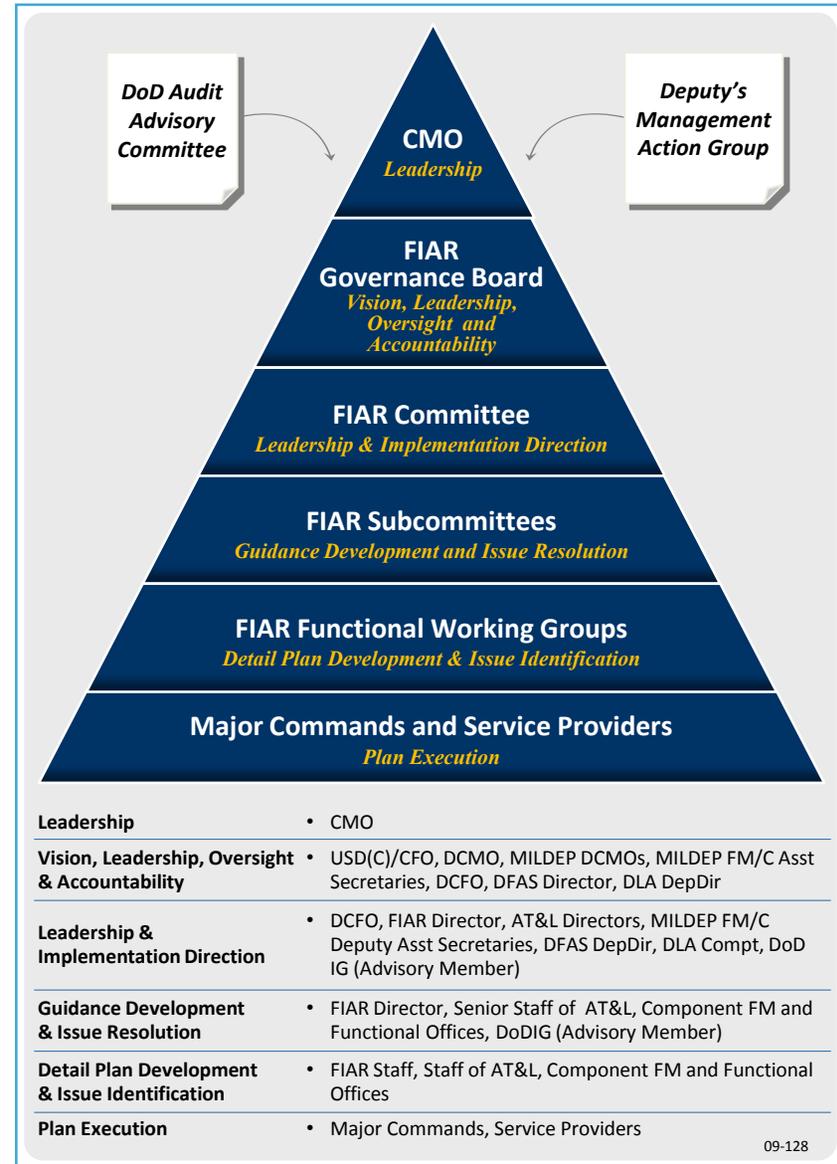
DEPUTY’S MANAGEMENT ACTION GROUP

In October 2011, the Deputy Secretary of Defense established the Deputy’s Management Action Group (DMAG) as a mechanism for executing a common management approach across disparate Department topics and processes. In addition to other functions, the DMAG reviews DoD Component FIAR plans and monitors their progress. The DMAG is chaired by the Deputy Secretary of Defense/Chief Management Officer and is comprised of the Department’s key senior leaders.

To date, the Components’ near-term goals and progress in achieving them have been the subject of two DMAG meetings. At these meetings, the USD(C)/CFO presents the FIAR near-term and long-term goals, and the senior representatives from the Components are held accountable for accomplishing them.

The DMAG involvement in FIAR governance process helps ensure progress is made in achieving the FIAR goals of General Funds SBR audit readiness in 2014 and full audit readiness in 2017.

Figure A2-1. FIAR Governance



FIAR GOVERNANCE BOARD

The FIAR Governance Board is co-chaired by the USD(C)/CFO and DoD Deputy CMO (DCMO) and engages the Department's most senior leaders from the functional and financial communities. The Board is comprised of the Military Department DCMOs and Financial Management and Comptrollers and senior representatives from the Principal Staff Assistants (PSAs) of the Secretary of Defense and various Defense Agencies. The DCMOs have cross-community (functional and financial) responsibilities and authority to transform business, budget, finance, and accounting operations, and to eliminate or replace business and financial management systems.

The FIAR Governance Board meets quarterly and reviews Component progress. Accountability for progress begins at the top and is a key role of the Board. The Board's governance role also provides the Department with a visible leadership commitment, which is critical to achieving the FIAR goals.

FIAR COMMITTEE AND SUBCOMMITTEE

The Department also looks to the FIAR Committee, which meets monthly, to oversee the management of the FIAR Plan. The FIAR Committee leads the implementation of the FIAR Plan priorities. Chaired by the Deputy Chief Financial Officer (DCFO), the Committee is comprised of executive-level representatives of the PSAs, Military Departments, Defense Logistics Agency (DLA), Defense Finance and Accounting Service (DFAS), and other Defense Agencies and organizations. The Deputy Inspector General for Auditing acts as an adviser to the FIAR Committee. An active FIAR Subcommittee of senior accountants, financial managers, management analysts, and auditors support the FIAR Committee. The Subcommittee assists the OUSD(C) in developing detailed guidance and solutions to issues. This collaborative management structure ensures the FIAR Plan is comprehensive with regard to DoD-wide organizations, issues, and solutions.

FIAR DIRECTORATE AND FUNCTIONAL WORKING GROUPS

To provide day-to-day management of the FIAR Plan and ensure that DoD-wide financial improvement efforts are integrated with functional community improvement activities, the OUSD(C) established the FIAR Directorate, a program management office. The FIAR Directorate:

- Recommends strategic direction to the USD(C)/CFO and DCFO.
- Assists the DoD Components by evaluating Financial Improvement Plans (FIPs), products, and deliverables, as well as providing subject matter experts to assist in Component FIAR activities.
- Develops and issues detailed financial improvement and audit preparation methodologies and guidance.
- Organizes and convenes cross-Component financial and functional working groups to address issues and develop solutions.
- Utilizing experienced financial, accounting, and auditing personnel, embeds teams to develop, improve, and execute FIPs and provide training to the Components.
- Biannually, publishes the FIAR Plan Status Report.
- Maintains the FIAR Planning Tool, which is used by the Components to manage their FIPs.
- Monthly, performs detail reviews of the Component FIPs supported by the OUSD(AT&L) and provides feedback to the Components, as needed.
- Develops metrics for monitoring and reporting progress.

MAJOR COMMANDS AND SERVICE PROVIDERS

It is at the Components' major commands and service providers, such as the Army Materiel Command and DFAS, where the FIPs are executed. The major commands and service providers perform the evaluation and discovery work, test and strengthen internal controls, and correct deficiencies. It is within the major commands where business events occur that trigger financial transactions, and where the functional community engages with the financial community to achieve the vision, goals, and priorities of the FIAR Plan.

DOD AUDIT ADVISORY COMMITTEE

The DoD Audit Advisory Committee, established under the provisions of the Federal Advisory Committee Act of 1972, provides the Secretary of Defense, through the USD(C)/CFO, independent advice and recommendations on DoD financial management, to include financial reporting processes, internal controls, audit processes, and processes for monitoring compliance with relevant laws and regulations. The Committee is comprised of five members, who are distinguished members of the audit, accounting, and financial communities. The members are not DoD employees.

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Appendix 3. Commonly Used Acronyms

Acronym	Definition
AAA	Army Audit Agency
ABSS	Automated Business Services System
ACAT	Acquisition Categories
ACES-RP	Automated Civil Engineers System-Real Property
ACP	Army Cost Postion
ACPS	Automated Contract Preparation System
ADIS	Acquisition Due-In System
ADM	Acquisition Decision Milestone
ADNI/CFO	Assistant Director of National Intelligence and Chief Financial Officer
ADS	Automated Disbursing System
AFAA	Air Force Audit Agency
AF/A4I	Air Force/Directorate of Transformation
AF/A4IS	Air Force/Logistics, Installations, and Mission Support
AF/A4LX	Air Force/Logistics Operations, Plans, and Programs Division
AF/A4L	Air Force/Directorate of Logistics

Acronym	Definition
AF/A4LE	Air Force/Material Support Division
AF/A4LM	Air Force/Integrated Life Cycle Management (ILCM) Policy Division
AF/A4LW	Air Force/Nuclear Weapons, Missiles, and Munitions Division
AFB	Air Force Base
AFEMS	Air Force Equipment Management System
AFM	Automated Funds Management
AFMC	Air Force Materiel Command
AFSPC	Air Force Space Command
AFPC	Air Force Personnel Center
AIRRS	Aircraft Inventory Readiness Reporting System
AKO	Army Knowledge Online
ALC	Agency Location Code
ALMS	Army Learning Management System
AMC	Air Mobility Command
AMCOM	Aviation and Missile Command

FIAR Plan Status Report

Acronym	Definition
ANG	Air National Guard
APN	Aircraft Procurement Navy
APPN	Appropriation
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
ASC	Army Sustainment Command
ASN(FM&C)	Assistant Secretary of the Navy (Financial Management and Comptroller)
ASN(RD&A)	Assistant Secretary of the Navy (Research, Development, and Acquisition)
ATAAPS	Automated Time Attendance and Production System
ATEC	Army Test and Evaluation Command
AWCF-CIP	Army Working Capital Fund (AWCF) Capital Investment Program
AWCF-OPS	Army Working Capital Fund (AWCF)-Operations
AWP	Assertion Work Products

Acronym	Definition
BCL	Business Capability Lifecycle
BEA	Business Enterprise Architecture
BPR	Business Process Reengineering
BPS	Business Process Standardization
BRAC	Base Realignment and Closure
BRM	Budget Resource Management
BSO	Budget Submitting Office
BUPERS	Bureau of Naval Personnel
CAP	Corrective Action Plan
CAS	Combat Ammunition System
CBDP	Chemical Biological Defense Program
CBSS	Craft and Boat Support System
CCARS	Comprehensive Cost and Requirement System
CCCPMD	Consolidated Credit Card Program Management Division
CCSS	Commodity Command Standard System
CCSS NAMI	Commodity Command Standard System Non-Army Managed Items
CDS	Centralized Disbursing System

FIAR Plan Status Report

Acronym	Definition
CECOM	Communications Electronics Command
CEDMS	Corporate Electronic Document Management System
CEFT	Corporate Electronic Funds Transfer
CEMS	Comprehensive Engine Management System
CFEMS	Corps of Engineers Financial Management System
CFO	Chief Financial Officer
CHRA	Civilian Human Resource Agency
CIG	Consolidated Intelligence Guidance
CIO	Chief Information Officer
CIP	Construction in Progress
CM	Cost Management
CMCP	Change Management and Communications Plan
CMO	Chief Management Officer
CMOS	Cargo Movement Operations System
CMR	Cash Management Report
CNIC	Commander Navy Installations Command
COCOMS	Combatant Commands

Acronym	Definition
CONOPS	Concept of Operations
CONUS	Continental United States
COTS	Commercial Off-the-Shelf
CPAB	Civilian Pay Accounting Bridge
CPAIS	Civilian Pay Accounting Interface System
CR	Closeout Review
CSDP	Command Supply Discipline Program
CVP	Contract/Vendor Pay
CWA	Contracts Web Application
CY	Calendar Year
DAAS	Defense Automatic Addressing System
DAI	Defense Agencies Initiative
DARPA	Defense Advanced Research Projects Agency
DASN-FO	Deputy Assistant Secretary of the Navy – Financial Operations
DBC	Defense Business Council
DCAA	Defense Contract Audit Agency
DCAS	Defense Cash Accountability System

FIAR Plan Status Report

Acronym	Definition
DCM	Data Collection Module
DCMA	Defense Contract Management Agency
DCMO	Deputy Chief Management Officer
DCMS	Departmental Cash Management System
DCPAS	Defense Civilian Personnel Advisory Service
DCPS	Defense Civilian Payroll System
DCPDS	Defense Civilian Personnel Data System
DD	Department of Defense
DDRS-AFS	Defense Departmental Reporting System – Audited Financial Statements
DDRS-B	Defense Departmental Reporting System – Budgetary
DDS	Deployable Disbursing System
DEAMS	Defense Enterprise Accounting and Management System
DECKPLATE	Decision Knowledge Programming for Logistics Analysis and Technical Evaluation
DFAS	Defense Finance and Accounting Service
DFAS-CL	Defense Finance and Accounting Service - Cleveland
DHP	Defense Health Program
DIA	Defense Intelligence Agency

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
DMAG	Deputy’s Management Action Group
DMAP-TAAS	Data Management and Analysis Plan – Textile Aircraft Arresting Systems
DMO	Defense Military Pay Office
DNI	Director for National Intelligence
DoD	Department of Defense
DoD OIG	Department of Defense, Office of the Inspector General
DON	Department of the Navy
DONCADS	Department of the Navy Civilian Authoritative Data Source
DON-CIO	Department of the Navy, Chief Information Officer
DON-FMB	Department of the Navy, Office of Budget

FIAR Plan Status Report

Acronym	Definition
DON-FMO	Department of the Navy, Office of Financial Operations
DPAS	Defense Property Accountability System
DPS	Defense Personal Property System
DSCA	Defense Security Cooperation Agency
DSBMC	Defense Business Systems Management Committee
DSS	Distribution Standard System
DTIC	Defense Technical Information Center
DTRA	Defense Threat Reduction Agency
DTS	Defense Travel System
DUSN DCMO	Deputy Under Secretary of the Navy/Deputy Chief Management Officer
EBAS	Enterprise Business Accountability System
EBIS	Employee Benefits Information System
EBS	Enterprise Business System
EDA	Electronic Document Access
EDM	Electronic Document Management
EEBP	Enterprise External Business Portal
EFD	Enterprise Fund Distribution

Acronym	Definition
EFT	Electronic Funds Transfer
ERP	Enterprise Resource Planning System
ESG	Executive Steering Group
EXMIS	Expeditionary Management Information System
FACTS II	Federal Agencies' Centralized Trial-Balance System II
FAS	Fuels Automated System
FASTDATA	Fund Administration and Standardized Document Automation
FBWT	Fund Balance with Treasury
FBWTM	Fund Balance with Treasury Management
FD	Full Deployment
FDD	Full Deployment Decision
FES	FAS Enterprise Server
FFMIA	Federal Financial Management Improvement Act of 1996
FIABS	Financial Inventory Accounting and Billing System
FIAR	Financial Improvement and Audit Readiness
FIP	Financial Improvement Plan
FIS	Facilities Information System

FIAR Plan Status Report

Acronym	Definition
FISCAM	Federal Information System Controls Audit Manual
FLC	Fleet Logistics Center
FMD	Fleet Maintenance System
FMB	Navy Office of Budget
FMS-NSMA	Financial Management System – Navy Systems Management Activity
FORSCOM	U.S. Army Forces Command
FOT&E	Follow-On Test and Evaluation
FPPS	Future Pay and Personnel System
FRD	Funds Receipt and Distribution
FSCR	Financial Statement Compilation and Reporting
FY	Fiscal Year
FYDP	Future Years Defense Program
GAAP	Generally Accepted Accounting Principles
GAFS	General Accounting and Finance System
GAO	Government Accountability Office
GCSS-A	Global Combat Support System-Army
GCSS-MC	Global Combat Support System-Marine Corps

Acronym	Definition
GE	General Equipment
GEO-F	GEOINT-Financials
GEX	Global Exchange
GF	General Fund
GFE	Government Furnished Equipment
GFEB	General Fund Enterprise Business System
GFP	Government Furnished Property
GL	General Ledger
GMD	Ground-Based Midcourse Defense
GLM	General Ledger Module
GMRA	Government Management Reform Act of 1994
GPC	Government Purchase Card
GPP&E	General Property, Plant, and Equipment
GRC	Governance, Risk, and Compliance
GWA	Government Wide Accounting
HAF-A1	Headquarters Air Force, Office of the Deputy Chief of Staff, Manpower, Personnel and Services
HAF/A7C	Headquarters Air Force – Civil Engineer of the Air Force

FIAR Plan Status Report

Acronym	Definition
IAPS	Integrated Accounts Payable System
IC	Intelligence Community
ICOFR	Internal Control Over Financial Reporting
ILSMIS	Industrial Logistics Support Management Information System
ILS-S	Integrated Logistics System – Supply
IMCOM	Installation Management Command
IMDB	Integrated Missile Data Base
INFADS	Internet Naval Facilities Assets Data Store
IO	Industrial Operations
IOC	Initial Operating Capability
IPA	Independent Public Accountant (or Accounting Firm)
IPAC	Intra-Governmental Payment and Collection
IPPS-A	Integrated Personnel Pay System – Army
IT	Information Technology
IUID	Item Unique Identification
IWIMS	Interim Work Information Management System
JM&L	Joint Munitions and Lethality Life Cycle Management Command

Acronym	Definition
JOCAS II	Job Order Cost Accounting System
JPEO	Joint Program Executive Office
JSTO	Joint Science and Technology Office
KCO	Key Control Objective
KSD	Key Supporting Documentation
LES	Leave and Earnings Statement
LFD	Limited Fielding Decision
LMP	Logistics Modernization Program
LMS	Learning Management System
MAGTF	Marine Air Ground Task Forces
MAFR	Merged Accountability and Fund Reporting
MAJCOM	Major Command
MCAP	Multi-Year Corrective Action Plan
MDA	Missile Defense Agency
MDAP	Major Defense Acquisition Program
ME	Military Equipment
MEDCOM	U.S. Army Medical Command

FIAR Plan Status Report

Acronym	Definition
MERHCF	Medicare-Eligible Retiree Health Care Fund
MEV	Military Equipment Valuation
MILPDS	Military Personnel Data System
MILSTRIP	Military Standard Requisitioning and Issue Procedures
MIPR	Military Interdepartmental Purchase Request
MOCAS	Mechanization of Contract Administration Services
MOU	Memorandum of Understanding
MSC	Military Sealift Command
NALCOMIS	Naval Aviation Logistics Command Management Information System
NAVAIR	Naval Air Systems Command
NAVAUDSVC	Naval Audit Service
NAVFAC	Naval Facilities Engineering Command
NAVSEA	Naval Sea Systems Command
NAVSUP BSC	Naval Supply Systems Command Business Systems Center
NDAA	National Defense Authorization Act
NES	Navy Enlisted System
NexGen	Next Generation

Acronym	Definition
NGA	National Geospatial Intelligence Agency
NSA	National Security Agency
NSIPS	Navy Standard Integrated Personnel System
NSMA	Navy Systems Management Activity
NVR	Naval Vessel Register
NWCF	Navy Working Capital Fund
OACSIM	Office of the Assistant Chief of Staff for Installation Management
OA&L	Other Assets and Liabilities
OASA(FM&C)	Office of the Assistant Secretary of the Army (Financial Management and Comptroller)
OASIS/EASIS	Officer Assignment Information System
OCHR	Office of Civilian Human Resources
OCONUS	Outside the Continental United States
OCIO-DoD	Office of the Chief Information Officer, Department of Defense
ODCMO	Office of the Deputy Chief Management Officer
ODNI	Office of the Director for National Intelligence
ODO	Other Defense Organization

FIAR Plan Status Report

Acronym	Definition
OEF	Operation Enduring Freedom
OIF	Operation Iraqi Freedom
OIS	Ordnance Information System
OMA	Operations and Maintenance Army
OM&S	Operating Materials and Supplies
OMB	Office of Management and Budget
ONR	Office of Naval Research
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)
PACAF	Pacific Command Air Forces
PACAF/FM	Commander of Pacific Air Forces – Financial Management
PACFLT	Pacific Fleet
PARIS	Personnel Automated Record Information System

Acronym	Definition
PAY-M	Pay Management
PBAS	Program Budget Allocation System
PBIS	Program Budget Information System
PBUSE	Property Book Unit Supply Enhanced
PCS	Permanent Change of Station
PEO-EIS	Program Executive Office Enterprise Information Systems
PMO	Program Management Office
PoAM	Plan of Action and Milestones
PP&E	Property, Plant, and Equipment
PPVM	Payment Pre-Validation Module
PROPM	Property Management
PSA	Principal Staff Assistant
RDECOM	Research, Development, and Engineering Command
RDT&E	Research, Development, Test, and Evaluation
REC-M	Receivables Management
REMIS	Reliability and Maintainability Information System
RESFOR	Naval Reserve Force

FIAR Plan Status Report

Acronym	Definition
RFP	Request for Proposal
RHS	Reserve Headquarters Support
RIMS-FM	Reserve Integrated Management System Financial Management
RSUPPLY	Relational Supply
RTS	Reserve Travel System
RWO	Reimbursable Work Orders
SABRS	Standard Accounting, Budgeting and Reporting System
SAF-AQ	Office of the Assistant Secretary of the Air Force for Acquisition
SAF-FM	Office of the Assistant Secretary of the Air Force (Financial Management and Comptroller)
SAF-FMB	Secretary of the Air Force, Financial Management – Budget
SAF-FMP	Office of the Deputy Assistant Secretary of the Air Force for Financial Operations
SALTS	Streamlined Automated Logistics Transmission System
SAMS	Standard Army Maintenance System
SARSS	Standard Army Retail Supply System
SAS	Statement of Auditing Standard
SBHD	Subhead

Acronym	Definition
SBIRS	Space Based Infrared Radar System
SBR	Statement of Budgetary Resources
SCOA	Standard Chart of Accounts
SCS	Stock Control System
SDI	Standard Disbursing Initiative
SDS	Standard Depot System
SECAF	Secretary of the Air Force
SES	Senior Executive Service
SFIS	Standard Financial Information Structure
SLDCADA	Standard Labor Data Collection and Distribution Application
SLOA	Standard Line of Accounting
SMA	Supply Management Activity
SMAS	Standard Materiel Accounting System
SMP	Strategic Management Plan
SOD	Segregation of Duties
SPAWAR	Space and Naval Warfare Systems Command
SPS	Standard Procurement System

FIAR Plan Status Report

Acronym	Definition
SSAE	Statement on Standards for Attestation Engagements
SSP	Strategic Systems Program
STANFINS	Standard Financial System
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
SUPDESK	Supervisor’s Desk
SYSCOMS	Systems Commands
TACOM	Tank-Automotive and Armaments Command
TAFS	Treasury Account Fund Symbol
TAS	Treasury Account Symbols
TDY	Temporary Duty
TFM	Treasury Financial Manual
THAAD	Terminal High Altitude Area Defense
TI	Treasury Index
TIP	Transportation Incentive Program

Acronym	Definition
TOA	Total Obligation Authority
TOW	Tube-launched, Optically-tracked, Wire Command-link Guided Missile System
TRADOC	Training and Doctrine Command
TWCF	Transportation Working Capital Fund
ULLS-AE	Unit Level Logistics System-Aviation Enhanced
USARC	United States Army Reserve Command
USD	Under Secretary of Defense
USD(AT&L)	Under Secretary of Defense (Acquisition, Technology, and Logistics)
USD(C)/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer
USD(P)	Office of the Under Secretary of Defense (Policy)
USD(P&R)	Under Secretary of Defense (Personnel and Readiness)
USFF	United States Fleet Forces Command
USMC	United States Marine Corps
USSGL	U.S. Standard General Ledger
USSOCOM	U.S. Special Operations Command
USTRANSCOM	U.S. Transportation Command
USUHS	Uniformed Services University of the Health Sciences

FIAR Plan Status Report

Acronym	Definition
WAAS	Washington Headquarters Services Allotment Accounting Services
WARCOM	Navy Special Warfare Command
WAWF	Wide Area Workflow
WCF	Working Capital Fund



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